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# ***JPRS Report***

## **Soviet Union**

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***WORLD ECONOMY &  
INTERNATIONAL RELATIONS***

No 4, APRIL 1987

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## SOVIET UNION WORLD ECONOMY & INTERNATIONAL RELATIONS

No 4, April 1987

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## ENGLISH SUMMARY OF MAJOR ARTICLES

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 158-159

[Text] A. Shapiro in the article "A Year After the Historic 27th Party Congress" focuses his attention on the historic events following the 27th CPSU Congress, which charted the strategic policy of accelerating the country's socioeconomic development and laid the foundation of an all-embracing qualitative renovation of life in the Soviet Union. The June 1986 Plenary Meeting of the Central Committee was a logical continuation of the 27th Party Congress. It considered urgent issues of internal and external policy, drafted by the said congress. As to the January 1987 Plenary Meeting it was a major political event both in the life of the CPSU and Soviet society. It charted the theory and practices of reconstruction, laid a sound foundation for further steady progress in accordance with the needs of the present-stage historic development and its decisions which have become a programme of the Party's activities for many years to come. The author points out that the strategy of acceleration mapped by the CPSU is based upon the firm foundation of Marxism-Leninism as a revolutionary theory, the transforming power and scientific farsightedness of which were demonstrated by the 27th CPSU Congress and the subsequent Plenary Meetings. The article analyses the key problems of present day state monopoly capitalism as well.

The article by V. Avakov and V. Baranovsky "In the Interests of Mankind's Survival" is dedicated to the international forum "For a Nuclear-Free World, for the Survival of Mankind" which took place on February 14-16, 1987 in Moscow, where people of very different political ideological and religious views discussed problems connected with a radical reduction of nuclear arms as the first step towards their elimination, questions of European security, SDI and the situation as regards the ABM treaty and other issues of major importance. The work of the Forum was based on the professional principle in eight sections. The "round tables" on different problems were formed. In particular the round table discussion of politicians was headed by academicians G.A. Arbatov and E.M. Primakov. The subject under discussion "How to Survive in Our Interdependent World" has attracted the attention of a large number of specialists in many countries. The topicality of the problem touched a wide range of issues dealing with the search of effective ways, means and methods for relaxation of tension, reduction of military danger and curbing of the arms race.

G. Kolosov in the article "Military and Political Aspects of West-European Integration Process" confirms that among a good many forms of cooperation of the states of the European Community military-political and military industrial links stand apart. Nominally under the Rome Treaty the coordination of military-political courses, as well as military planning and armed forces, joint production of armaments are beyond the jurisdiction of its institutions and primarily within the authority of NATO or specially established mechanisms lacking any direct contacts with EC. Nevertheless under existing practices the expansion of such cooperation can hardly be considered apart from the common West-European integration process, since all leading EC states are participating in it. In the past decade and in the first half of the 80s ever clearly is revealing the role of the EC in the system of international relations. The deepening of relations among its participants is beginning to take place in military and political spheres though the latter still remains the domain of national governments and NATO. Instrumental to these changes is the striving of the ruling circles of the West-European states to achieve such a position in inter-Atlantic relations that would allow them to exert stronger influence on the development of these relations, to use the EC's increased economic potential. The author points out that the tendency is not always positive. There exist opposing trends which are largely due to the existing discrepancies among the EC members concerning their relations with the USA. In the mid 80s the West-European states while defining their stand on this issue were faced with certain new complicated problems advanced by the USA that of drawing them into SDI, of enhanced participation in NATO and of a general more rigid attitude towards the USSR.

S. Medvedkov in the article "Interdependency: Contradictory Consequences for the US Economy" notes that the internationalisation of capitalist production has made imperialist rivalry especially acute and bitter. He discloses that in the 80s American imperialism is seeking to turn the growing interdependency within the capitalist world into one-sided dependency upon America. All forms of foreign economic relations which American capital considers suitable for the "revitalization" of the US economy and hence its lost positions in the world are used as instruments of pressure. The article notes that the internationalization of the American economy is an uneven process. Having embraced all spheres of the economy it has placed certain branches in unequal conditions of reproduction. The very system of US state regulation suffers from the evergrowing impact of internationalization of industry and capital. The author while analysing the scale and forms of US interaction with the world economic sphere draws attention to contradictions inherent in present day American capitalism. The author points out the role of the US military industrial complex in world economic relations which limits the access of other capitalist countries to the fruits of scientific and technical progress at the same time does not prevent American capital from using their resources, scientific and technological included, to the maximum. The article also points out that the internationalization of the US economy is organically connected with the transnational monopoly capital which has gained strength rapidly. It is seizing control of and monopolising whole branches or spheres of production both on the scale of individual countries and in the world economy as a whole.

The editorial Board of the magazine publishes an Interview given by the Director of the Institute of Economics, corresponding member of the USSR Academy of Sciences L.I. Abalkin to the Japanese journal "Sekai Keizai to Kokusai Kankei". Interview in particular touches upon such issues as the policy of accelerating the Soviet Union's economic development, the question why such a policy was adopted, its historic significance and the role it plays in socialist and communist construction. Great interest was evoked by such issues as the interrelation between comprehensively developed productive forces, mature socialist relations of production and smoothly functioning economic mechanism under socialism. The reasons for certain negative phenomena which took place in the Soviet economy in the 70s and the beginning of the 80s are explained. Some concrete issues relating to the mechanism of reconstruction of the Soviet economy were also dealt with.

V. Pankov in the article "Deregulation and Evolution of the Economic Mechanism of State Monopoly Capitalism" contributes to the continuing discussion of the actual relationship between state regulation and private entrepreneurship in the countries of advanced capitalism. The analysis of theory and practices of "deregulation" according to neoconservative prescriptions gives evidence to the fact that there hasn't been drastic dismantling of state regulation. It has rather been the adjustment to the new domestic and international competitive climate. Thus "deregulation" as known now might be assessed as a neoconservative experiment though extraordinary in scale and by repercussions. The evolution of the economic mechanism is likely to take the shape of post-Keynesian, institutionalist or social-reformist types. V. Roobtsov in the article "New realization of the 'common knowledge' is inevitable" emphasizes that the current processes of denationalization, deregulation and reprivatization could be appropriately accounted for only within the world economy context providing for the new understanding of concepts 'state', 'monopoly', 'corporation' etc. The clue to this new understanding is to be found in fundamental works of Lenin and Marx. V. Roobtsov suggests an interesting idea of economic consolidation of imperialist states which appear as one state confronting the indebtedness of the developing countries problem when one can hardly distinguish really state and private interests. A. Kollontai in the article "Reprivatization as a Link in the General Redistribution of Economic Functions" states that despite all external properties of a concession to the interests of private capital reprivatization is in fact a tool to expand the state economic influence, a transition to the more flexible system of share holding. Certain reduction of state interference with economic matters is coupled with the emerging of its new form. The state gives priority to the long-term provision of beneficial environment in international competition and strives to resolve urgent global problems.

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## REVIEW OF YEAR SINCE 27TH CPSU CONGRESS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 3-18

[Article by A. Shapiro: "A Year Since the Historic Congress"]

[Text]

### I

A year has elapsed since the 27th CPSU Congress completed its work. A congress of innovative aims and strategic decisions of historic significance and scale. A congress which elaborated the concept and course of acceleration of the country's socioeconomic development and which initiated an all-embracing qualitative renovation of all aspects of the life of our society. A congress which has with complete justification occupied an exceptional place in terms of its transforming role in the political biography of the party and the fate of the Soviet state and socialism as a whole with all the far-reaching consequences for world development. A congress whose program documents have elevated theoretical thought to a new height and become a major achievement of creative Marxism-Leninism.

In historical terms a year is, of course, a very short length of time. Nor has that much time--2 years--elapsed since the CPSU Central Committee April (1985) Plenum, which put forward the idea and strategy of acceleration, which acquired integral expression at the congress. The party is not lifting for one moment its hand from the pulse of the revolutionary restructuring of the whole style and manner of our life, is constantly matching the course of actual events against its intentions and plans and keeping under unremitting supervision the process of the transfer of the energy of thoughts into the energy of concrete action. For the turning point at which our country and, indeed, the whole contemporary world find themselves is very abrupt, the times in which we are living are that crucial and the tasks which have today confronted Soviet society are unprecedentedly great in terms of their novelty, uniqueness and scale.

The Central Committee June (1986) Plenum studied pertinent problems of implementation of the party's domestic and foreign policy formulated by the 27th congress. The question of a restructuring of the party's personnel policy--a question of fundamental, truly decisive significance for the successful realization of the new strategy and program goals of the CPSU--also

was submitted for discussion by the Central Committee plenum in January. Truly, both these tasks are dialectically interconnected and form an indissoluble unity: if the fate of the country and the new social formation now depends on the restructuring, it itself depends to no less an extent on the condition, efficacy and fighting capacity of the personnel. "The success of the restructuring," the plenum decree says, "will be determined to a decisive extent by how rapidly and profoundly our personnel is imbued with an understanding of the need for revolutionary changes and how resolutely, vigorously and competently it acts."

Having posed the question of what constituted our strength and of that in which we were deficient under conditions where the Communist Party had become the ruling party, V.I. Lenin said back at the 11th party congress: the political power is perfectly sufficient and the economic power in the hands of the proletarian state is perfectly sufficient to ensure the transition to communism, but the "stratum of communists which is in control is deficient in level of culture" (1). "I raise here the question precisely of culture because it is necessary for this purpose to consider as having been achieved only that which has become a part of culture, everyday life and habits" (2). Lenin saw, as is known, the selection of people and verification of performance as a most important task of the party and the "crux of all work" (3). "We need to check people's suitability, to check actual performance" (4).

Abiding by Lenin's behests, the Central Committee January Plenum analyzed the restructuring of the party's personnel policy also comprehensively and in depth, in the broad sociopolitical plane and with uncompromising regard for the lessons of the past, the nature of the current moment and the tasks for the future. The in-depth democratization of Soviet society from top to bottom--in the economy, in policy and in the party itself--openness and truthfulness, criticism and self-criticism and irreconcilability toward shortcomings were put at the center of all qualitative transformations. These are the levers providing for a decisive stimulation of the human factor and creating a dependable barrier against relapses into the past. The plenum fully approved the political and practical conclusions drawn by the CPSU Central Committee Politburo as a result of the in-depth analysis of the situation which had taken shape in our society in the period prior to April and the high-minded evaluation of the progress of the restructuring and the first steps of implementation of the guidelines of the 27th party congress and also the tasks of the CPSU's personnel policy formulated by the Politburo.

Without any doubt, the work, documents and decisions of this plenary meeting of the headquarters of the Lenin Party are a direct continuation and development of the strategic course adopted by the April Plenum and the 27th congress and their general line. Having become a pivotal landmark in the life of the party and the people, the January Plenum has moved the country forward appreciably along the path of far-reaching reconstruction. It has led us to the stage of strenuous labor and actual deeds, purposeful quest and tremendous creative efforts and new discoveries. Such a stage set in logically after the situation had been thoroughly analyzed, a scientifically substantiated political course had been formulated and the principal decisions pertaining to its realization had been adopted. Having deepened comprehension of the theory

and policy of reconstruction, the January Plenum transferred it to the plane of practical action in all fields.

As V.I. Lenin emphasized in 1921, "the time when it was necessary to politically outline grand tasks has passed, and the time when they need to be tackled in practice has come. We are now faced with cultural tasks, tasks of digesting the political experience which must and may be accomplished. Either losing all the political gains of Soviet power or giving them an economic foundation" (5). The material of the January Plenum, M.S. Gorbachev said at the meeting in the Central Committee with executives of the mass media, are a program of the party's activity for many years ahead.

From an idea, reconstruction has already become an objective reality, and not only a large-scale reality, what is more, but, it has to be assumed, an irreversible, irrevocable reality. For this reason, the January Plenum emphasized, the time has come to put an end to the debate about whether reconstruction is necessary or not, as also to all hesitation in its implementation. Progress in an acceleration of the country's socioeconomic development is vitally necessary since it is dictated both by the internal requirements of Soviet society--such as whose satisfaction cannot be deferred--and serious external circumstances ensuing from most important trends of world development.

However, the new is never born and never established other than in a struggle against the old and moribund, a most acute and implacable struggle. In this confrontation around the problem of reconstruction and acceleration there stand on one side of the barricades the forces of renovation and progress, the vast majority of society, and on the other, the forces of bureaucratic conservatism, those who would like to drown reconstruction in a stream of empty phrases and high-falutin slogans which only seem to be revolutionary and who are totally suited by economic stagnation and the conservation of elements of social corrosion, social indifference and crisis and other phenomena in society alien to socialism. There are still many witting or unwitting devotees of the old mechanism of the retardation of socioeconomic and S&T progress objectively or subjectively preventing its breakup and impeding the construction of a dependable and efficient mechanism of acceleration. Largely owing to their manifest or covert, tacit or by no means unspoken resistance, changes for the better are occurring more slowly than we would wish.

Lenin pitilessly castigated persons like them as "intellectual saboteurs" deliberately dragging us into a "foul bureaucratic swamp," into a "sea of paper" in which live work drowns (6). At the April Plenum, the 27th congress and subsequent Central Committee plenums the party has cautioned conservatives and plodders, bureaucrats and red-tape merchants and devotees of political blather, fine-sounding speeches, a quiet life and report-writing that their time has passed and that it is time for practical action, energetic and cohesive efforts and specific end results.

Of course, profound qualitative changes in the economy, social sphere and investment process which would have consolidated the trend toward an acceleration of growth could not have occurred in full in the 2 years which have elapsed since the April Plenum, even less in the year separating us from



the 27th congress. The country is still at the initial stage of the reconstruction, and its salutary consequences may be reflected and will be reflected only later. The most important measures of an economic, social, organizational, ideological and other nature are only beginning to be implemented and are, of course, not in a position to produce immediate results. The party is increasingly suffusing its new political course with specific content and specific approaches, incorporating the mechanism and means of reconstruction and taking the first steps to ensure that they work at full strength and produce the proper actual returns. And overcoming the evolved thinking and acting stereotypes is a complicated process, one that is far from painless and which requires time and a balanced approach. As the January Plenum observed, what is most important lies ahead of us. Ahead of us is the main and most complex work.

So the restructuring has begun and is gathering pace. Gradually acquiring qualitatively new features and unfolding along the entire front--not only in breadth but in depth--and penetrating various seams of life, it is already putting itself to the test in the struggle against what is moribund and its exponents. Profound positive changes are occurring in society--they are noticeable and tangible in policy, in the economy, in the development of socialist ownership, in culture, in the attitude toward man and his aspirations and in the methods and style of activity of all components of our social organism. A reassessment of values is under way, and a new moral-ethical atmosphere is taking shape in the country. Exactingness and discipline and organization and order on the job are rising. Work has begun on a fundamental transformation of the material-technical base and a profound modernization of the economy based on S&T progress and a change in structural and investment policy. Simultaneously large-scale measures pertaining to an improvement in management and the entire economic mechanism are being implemented. The system of foreign economic relations is being restructured, and very considerably.

The results of 1986--the first year of the 12th Five-Year Plan--also show that forward movement has begun. Matters are being rectified in machine building and a number of other industrial sectors and in the agrarian sector. Labor productivity growth was in excess of the planned target, and for the first time in many years there was a reduction in the prime costs of production. As a whole the increase in produced national income was considerably higher than the average annual increase in the preceding 5-year plan, and in industrial production, more than ever in the past 9 years. While recognizing the relative conditionality of growth rate indicators in the era of the S&T revolution, the intensification of social production and the transition to labor-saving and resource-saving technology, it is nonetheless not inappropriate to observe that in terms of the dynamism of economic growth in the past year the Soviet Union surpassed all the "big seven" capitalist countries.

In a word, the work on restructuring which has unfolded in the country is truly large-scale, and positive results are to hand. But the burden of problems which have accumulated in society is too great and heavy for us to be able to flatter ourselves with what has been achieved and not to see that the increase in the rate of growth of the economy is not of a stable nature as yet. It is very important, M.S. Gorbachev's report at the January Plenum



says, to adopt positions of realism and an objective evaluation of what has been done and to view the results which have been obtained not only from the standpoints of the past but primarily proceeding from our declared plans and promises which we have made to the people. The plenum's demands not only for a consolidation of what has been achieved but also for further movement, the fuller incorporation in work of long-term factors of the growth of the economy and the achievement of tangible changes for the better in all areas are for this reason so important. The plenum expressed the firm belief that transformations in the economic, social and spiritual spheres of Soviet society would grow and intensify.

The new stage of the reconstruction is a difficult, complex and dialectically contradictory process. But there is no alternative to reconstruction. Its ultimate goal is expressed by the capacious and maximally precise formula: a profound renovation of all aspects of the life of the country, the imparting to socialism of the most modern forms of social organization and the fullest revelation of the humanitarian nature of our system in all its decisive aspects--economic, sociopolitical and moral. More socialism, more democracy, democracy on a socialist basis, more socialist morality--thus does the party define the deep-lying essence of the reconstruction. Its main conditions are an increase in the rate of our country's socioeconomic development, the increasingly full and fruitful use of the tremendous, essentially inexhaustible and unlimited creative potential of the socialist production mode, improvement of the economic foundations of socialism, skillful combination of its advantages with the achievements of the S&T revolution, and of social justice, with the highest national economic efficiency and the all-around development of socialist democratism and the people's self-management.

These tasks, the program of practical action adopted by the party at the Central Committee April Plenum, the 27th congress and the January Plenum and the restructuring itself are profoundly revolutionary from all standpoints--in terms of content and nature and methods and scale of the transformations. And the times in which we are living are also truly revolutionary. After all, it is a question of a qualitative renovation of our society, its entry into a qualitatively new condition and a new quality of the growth and improvement of socialism. And transition from quantitative changes to a new quality is always a leap forward and is of a revolutionary nature, and cannot be of another, evolutionary, nature.

To the question from the newspaper L'HUMANITE as to whether this means that it is a question of a new revolution such as the October Revolution M.S. Gorbachev replied: "Of course not. It would be wrong, I believe, to put the question thus. It would be more correct, in my view, to say that today, in the 1980's, we are advancing the task of imparting strong acceleration to the cause begun by the Bolshevik Party almost 70 years ago." Developing this thought at the January Plenum, the general secretary of the CPSU Central Committee emphasized that in terms of its deep-lying revolutionary essence, the Bolshevik daring of its plans and its humanitarian social thrust the work being performed currently is a direct continuation of the great accomplishments initiated by the Lenin Party in the October days of 1917. The revolutionary spirit of the reconstruction is the living breath of October.

We are living in the special, notable year of the 70th anniversary of the Great October. The revolution initiated an irreversible process in the history of civilization--the replacement of capitalism by the new, higher, communist socioeconomic formation. It changed abruptly the fate of our state and its position and role on the international scene and the entire course of world history. In terms of its significance and consequences for mankind it is without parallel. Our gains on the paths of socialist building are indisputable and generally recognized. The creation of a powerful industry and profound transformations in the countryside, the elimination of the illiteracy of the majority of the population, the social and cultural rearrangement of society, the formation of fundamentally new inter-nation relations--all these were truly revolutionary accomplishments. It was they which created the granite foundation on which the present revolutionary ideas, programs and operations pertaining to reconstruction and acceleration and the practice of the development and improvement of the socialism which has been built in our country are based. Soviet people set high store by each year of our 70-year post-October history and consider it amoral to forget or gloss over whole periods in the life of the party and the people.

Social revolution is a revolution in the basis of society, in the mode of production. The socialist society born with the victory of October outpaces the capitalist world by several orders of magnitude in the sociopolitical and spiritual plane. The highest level of the progress of mankind has been achieved at this stage of historical development in our country. The Soviet Union was and remains the embodiment of people's age-old social hopes. But it must also be an example of the greatest organization and efficiency of the economy. Socialism is in a position and is called upon to give the working people even more, to become stronger and to develop really dynamically, competing successfully with capitalism in respect of all parameters of social life. It is to this that the restructuring--a genuine revolution in people's consciousness and thinking and in the administration of the affairs of state--economic, social and all other affairs--is geared.

Consequently, revolutionary restructuring has as its mission not a change in the essence of our system, not the abolition of its pivotal principles and institutions. On the contrary, it is aimed at the utmost strengthening of public ownership of the basic means of production, the planned nature of the Soviet economy and the principles of organization of the political system, a cardinal improvement in the social sphere, the production relations of socialism and its productive forces and the removal of all that is incompatible with it and the particular deformations not at all in keeping with socialist values which on the frontier of the 1980's led to a loss of pace in forward progress. The self-improvement of socialism on its own basis is taking place.

"We are passing through an interesting stage, through an interesting period of historical development," M.S. Gorbachev said at the meeting with the participants in the "Issyk-Kul Forum," "and we wish to renew all aspects of our life on a socialist basis. We are not renouncing our values, what we believe in and what has brought Russia to the level which it is at today." The party and the people are implementing the transformations in accordance with

their own, socialist choice based on their ideas concerning social values, guided by the criteria of the Soviet lifestyle.

But the reconstruction has a very appreciable international aspect also. This, M.S. Gorbachev emphasized in a speech at the meeting with the participants in the Moscow international forum "For a Nuclear-Free World, for the Survival of Mankind," is socialism's invitation to any other social system to peaceful competition in civilized forms befitting mankind of the 21st century. Such competition will be to the benefit of general progress and peace worldwide.

## II

The strategy of acceleration elaborated by the party is based on a firm theoretical foundation--Marxism-Leninism--and develops and enriches it in the most complex contemporary situation and is therefore undoubtedly among its outstanding achievements. This revolutionary teaching serves as the ideological foundation of the growing qualitative changes in the country. Its transforming power and scientific perspicacity and creative and critical spirit were demonstrated in full by the 27th CPSU Congress, whose program documents interpreted profoundly and in Leninist manner the times in which we are living. The congress and the CPSU Central Committee plenums which followed it advanced considerably the ideas concerning the normalities of contemporary world development and improvement of the socialist society.

The scale and complexity of the tasks and practical action pertaining to a restructuring of the economic and, as a whole, social relations of socialism demand the further creative development of revolutionary theory. The achievement of these goals is inconceivable without dependable scientific support and without the stimulation of ideological-theoretical activity. "Theory is essential not only for the long-term social and political orientation," M.S. Gorbachev said in a speech at the All-Union Meeting of Social Science Department Heads. "It is necessary literally for our every step forward. No in any way important practical issue can be resolved without having been comprehended and substantiated theoretically. Theoretical activity itself is becoming a most important motivating force of socialist and communist building and most important instrument of the reconstruction."

Among the factors which at a particular stage gave rise to a growth of negative trends in Soviet society the January Plenum named the slackening of attention to the development of theoretical thought and study of the dialectics of the driving forces and contradictions of socialism. Lenin's propositions concerning socialism were interpreted simplistically, and their theoretical profundity and significance were frequently emasculated. This attitude toward theory was reflected extremely negatively in the social sciences and their role in society. In turn, the situation on the theoretical front and the reigning atmosphere here exerted a negative influence on the solution of urgent socioeconomic questions.

It has to be recognized that economics-international affairs specialists also were responsible for the complex and contradictory situation which had taken shape in the country on the frontier of the 1980's. After all, it was brought about not only by the incomplete realization of the potential objectively



contained in socialism. A considerable role was also performed by the fact that the practice of socialist and communist building took insufficiently into account the main trends of world social development, the changes which the modern world was experiencing, the new processes distinctly manifested in the most developed capitalist countries and the nature of our relations with them and, by no means least, the trends of the S&T revolution.

The need for radical changes and the formulation of a clear-cut policy of overcoming all that was negative which had built up in the country was also dictated by the fact that a certain lag was observed in the economic and S&T competition with capitalism. There was virtually no change throughout the last decade in the correlation of the main macroeconomic indicators of the development of the USSR and the United States. A certain dependence on imports from capitalist states not occasioned by objective requirements, which could in no way be termed stable and reliable, in strategically important areas of the Soviet economy continued. But this also went "unnoticed". The assessments and opinions of the "highest authorities" were seen as incontestable truths for comment only. The party is endeavoring, Ye.K. Ligachev's report on the 69th anniversary of the October Revolution emphasized, "to ensure that the situation wherein some people 'broadcast' and utter truths, while others merely 'heed' them and wherein there is no place for respectful dialogue finally recede into the past."

Now such a dialogue is beginning to be revived. War has been declared on scholasticism, literalism and dogmatism, creeping empiricism and narrow practicism, stagnation of thought and the banalization of life. The party supports a spirit of creativity and innovation, bold scientific quest, an ability to go beyond the framework of customary, but outmoded notions, new approaches to existing realities, free competition of ideas, a competitive review of opinions and lively fruitful debate, in which no one is given the right to utter truth in the final instance and in which truth verified and tested by practice is born. Being loyal to Marxist-Leninist teaching means creatively developing it on the basis of accumulated experience. For at each new historical stage the general principles of this teaching are revealed with increasingly new aspects and acquire a resonance befitting our times.

The further creative development and self-renewal of revolutionary theory are possible only on the basis of an all-around comprehension of the inheritance of Marx, Engels and Lenin, a specification and development of the fundamental principles and propositions of Marxism-Leninism as an integral teaching and the study and collation of the new phenomena of life, historical experience and the achievements of modern science. The party warns against the danger not only of scholastic theorizing and a dogmatic ossification of thought but also a revision of the principles of Marxist-Leninist teaching and the separation of theory from practical matters. It demands a combination of the purity and permanence of the initial principles of theory with their enrichment and an orientation toward the formulation and solution of new problems.

Whatever bourgeois and reformist theorists may say, the new phenomena of social life--both national and international--are perfectly well inscribed in the Marxist-Leninist concept. For history really is proceeding in accordance with Marx, in accordance with Lenin. For this concept is not a catechism of

dead dogmas but a living, constantly developing teaching, guide to action and actual reflection of life itself in all its diversity and in all its vicissitudes. Continuity in theory presupposes a solicitous attitude toward the so-called truisms of Marxism and its fundamental principles. It is natural that at the 27th congress and the party Central Committee April (1985) and January (1987) plenums also the party matched its generalizations, conclusions and decisions so frequently against the leader of October and his thoughts and ideas. It is essential to turn constantly to the creative laboratory of V.I. Lenin, the CPSU Central Committee decree on the journal KOMMUNIST emphasizes.

The year that has elapsed since the 27th congress of Soviet communists completely and wholly confirmed the soundness of its appraisal--in Leninist profound and all-embracing manner--of the nature of the modern era and the scientifically objective picture of the period of the historical process through which Soviet society and the whole world are now passing and the essentially fundamentally new theoretical-political conclusions ensuing therefrom. It could not have been otherwise inasmuch as the analysis of the entire complicated set of mutually intersecting social contradictions in the world of our day--be ween states of the two systems, within the capitalist system and between imperialism and the countries liberated from its political oppression--and also of the global problems which have crashed down on the planet particularly forcefully in the final third of our century and which are affecting the very foundations of civilization--this analysis was a model of innovative, truly Leninist application of dialectical-materialist methodology to the conditions of the present stage of historical development.

Great importance is attached to the congress' conclusion that the real dialectic of contemporary world development lies in a combination of the competition and historical confrontation of two systems opposite in terms of their socioeconomic and sociopolitical nature and the growing trend toward the interdependence of states of the world community and that the contradictory, but interconnected and largely integral world of our day is taking shape via a struggle of opposites. Directly ensuing from recognition of this dialectic of the development of the modern world saturated with acute class-social, international, regional, global and other contradictions is the most urgent need to seek and find a balance of general and particular interests and the optimum combination of general, class and national-state interests.

In our day, when civilization is confronted with a decisive choice between survival and total self-annihilation, when the direct threat of extermination in a nuclear whirlwind looms over it, there is no doubt as to the irrefutable priority of general values over all others. This is the Leninist, humanitarian formulation of the problem by our party, which is an invariable champion of man's primary right--the right to life. In international politics, as in all other human affairs also, it cannot be forgotten for one moment that everything is now dominated by the contradiction between war and peace, between the existence and nonexistence of mankind.

At the same time the new political thinking proceeding from recognition of the realities of the world in which we live also has a fundamental class basis determined by the confrontation on our planet of two social systems. The Marxist-Leninist proposition concerning the future, communist, organization of

social life worldwide holds good in full, of course. And it is in no way contrary to the fact that in the era of transition from capitalism to socialism there is no in any way intelligent alternative to the principles and policy of the peaceful coexistence of states with different social arrangements.

Finally, nor can we disregard the fact that each country, irrespective of its size and political orientation, sees as the greatest value its independence and national sovereignty and champions them to the utmost, in the world arena included. National endeavors and aspirations, traditions and hopes and lifestyle and value systems are by no means dissolved in general interests, they continue to exist as a serious factor of international relations.

Not one of the said groups of interests can or should be ignored. As historical experience shows, the most staunch and consistent fighter for the accomplishment of the most important task of achievement of the optimum in the correlation thereof is the social vanguard of mankind--the international working class and its progressive, most conscious, communist, detachment.

### III

Present-day capitalism largely differs from what it was at the start and in the middle even of the 20th century. This proposition, which was advanced and comprehensively substantiated at the 27th party congress, is sometimes interpreted as the onset of a new stage of the development of imperialism, as its transition to the next step, stage or phase. There are, it would seem, no in any way serious grounds for such a conclusion.

Present-day state-monopoly capitalism will undoubtedly continue to be, albeit on constricted areas of the globe, capitalism and imperialism. It has not shed its fundamental features. The deep-lying basis of the capitalist mode of production, distribution, exchange and consumption remains unchanged. The exploiter and aggressive nature of imperialism and its inhumane nature are being reflected to a growing extent. The appreciably new phenomena and features which have arisen in its economy and policy represent, as a rule, a further development of the regularities and decisive indications of the highest and final phase of capitalism discovered by V.I. Lenin and a manifestation of the singularities of state-monopoly capitalism--this final, according to Lenin, "step" prior to the victory of socialism. At the same time the new processes and trends reflect the radical change in the world situation in which imperialism now finds itself and to which it is forced to adapt.

To speak of the main and fundamental changes which imperialism has undergone, they amount in summary form to the following:

currently capitalism in the industrially developed countries accounts for just under one-fourth of the territory of the world, 16 percent of its population and approximately half of world industrial production. Although imperialism, as the new version of the CPSU Program emphasizes, opposed to the young, future-oriented socialist world and putting up bitter resistance to social progress, is making incessant attempts to halt the course of history and exact



social revenge on a worldwide scale, as a social system it can no longer exist without cooperating in many fields with the world socialist system;

as a result of the collapse of the colonial system and the emergence from its ruins of dozens of independent states capitalism has found itself deprived of its past periphery, which it oppressed at will. The possibilities of imperialism have now been narrowed down to bounds wherein its aggressive nature is no longer capable of manifesting itself in the territorial division and redivision of the world. It still keeps in an unequal position--within the framework of the world capitalist economy--the majority of emergent countries, exploits them, aspires to emasculate the sovereignty they have won and, pursuing a policy of neocolonialism, to preserve and even increase control over them. However, the imperialist powers are being forced to come to terms with the demands of these countries and their struggle for the establishment of the sovereign right to dispose of their own resources, the rebuilding of interstate relations on an equal, democratic basis and for a new international economic order. Not only are the emergent countries dependent on the former metropolises but the former metropolises themselves are now in a situation of asymmetrical interdependence with these countries, particularly in respect of the acquisition of energy and raw material resources from the latter;

the economy of present-day capitalism is in a state of the severest domestic instability. Of course, even in the present era capitalism does not bring with it stagnation and the corking of the productive forces. Economic growth continues in the capitalist countries--relatively intensively in individual periods, particularly in the 1960's. But it is precisely in connection with this that there has been a sharp exacerbation of the conflict, decisive for the fate of this formation, between the gigantically increased productive forces and production relations, which have become an impediment to their further development. Capitalism's incapacity for coping with the economic and sociopolitical consequences of the S&T revolution and the negative impact thereon of the process of worldwide decolonization is becoming increasingly apparent.

Incontrovertible facts testify that the entire capitalist economic mechanism is now in profound disarray. This is a logical consequence of the fact that the system of state-monopoly regulation of the economy which has taken shape has proven inadequate to the new conditions of the reproduction process born of the S&T revolution and the cardinal changes in the economic structure, the liquidation of the colonial system in its traditional forms, the sharply increased dependence of capital accumulation on foreign economic factors, the increased interconnection of states as a result of internationalization of the productive forces and the consolidation of the transnational monopolies.

Having advanced by giant steps and for this reason having acquired a new quality, the internationalization and cosmopolitanization of capital, the very close interweaving of finance capital and the formation of transnational capital and a transnational oligarchy are among the first places in the hierarchy of the new processes which have developed in the world. The 27th CPSU Congress, which scientifically substantiated the "transnational monopoly capital" category, analyzed the principal directions and methods of its expansion and showed how it crushes and monopolizes whole sectors of



production or spheres both on an individual country scale and in the world capitalist economy.

The gigantic expansion of the sphere of activity of the transnational industrial and other nonfinancial corporations required a qualitative leap forward in the concentration and centralization of banking and the socialization of the credit system of imperialism. Its former, national framework proved too tight, and powerful transnational banks emerged in the 1970's which introduced a form of financing adequate to the present-day internationalization of industrial production and other spheres of economic life. As distinct from the traditional bank consortia created temporarily and predominantly for the financing of some particularly important deal, the present bank supermonopolies, which appear in transnational, but more in a multinational form (that is, as an amalgam of powerful banks of several countries) represent monopoly alliances based on the international capital market which are all-purpose in terms of the types of joint transactions and which are a permanent fixture in the world arena.

Soviet and foreign economic literature adduces a multitude of facts testifying to the very close ties of the transnational corporations and the transnational banks and that it is a question of more than just bank capital's financial services to nonbank capital. Included here are large-scale credit, joint ownership of blocks of shares and "personal union"--mutual participation on boards of directors--insider dealing and much else. Whatever name is given to all this--the merger, consolidation or alliance of international bank capital on the one hand and international industrial capital and also the capital of other nonfinancial spheres on the other, understandably, it is essentially a question of the formation on the basis of these processes of transnational finance capital and a transnational financial oligarchy, which have in our time become a typical form of the internationalization and cosmopolitanization of capital. They have subordinated to their control a considerable portion of the productive forces of capitalism. The threads of the exploitation of the proletariat and all working people have now been tied to a narrow circle of an international financial-oligarchical elite. This is truly a new phase of the worldwide concentration of capital and production incomparably higher than the preceding phases.

This conclusion is not contradicted by the fact that in the vast majority of cases the TNC represent national property, are based in their expansion on national soil and express predominantly the interests of the imperialisms of the countries in which they are based. Such is one aspect of the dialectic of the national and international in the present-day international monopolies.

Speaking of a trend in international political-strategic relations--reliance of the U.S. military-industrial complex and similar formations associated with it on the power rupture of the course of history--A.N. Yakovlev observes that "the expression of this trend in the economic sphere has been the formation and development in the past 2-3 decades of a powerful transnational industrial and finance capital" (7). Recognition of the legitimacy of the "transnational finance capital" category by no means signifies that some intrinsic unity is organically inherent therein and that with its appearance the competitive struggle of the monopolies and interimperialist contradictions will become

nonexistent and a "harmony of the interests" of national financial capital will reign.

On similar "grounds" the opponents of this concept could also dispute the terms "monopoly capital" and "state-monopoly capitalism". But it would occur to no one to claim that a monopoly "removes" competition and does not exist alongside it and above it, engendering hereby particularly acute contradictions, discord and conflicts. "...Their unity, their synthesis," K. Marx wrote, "is the movement in which the actual balancing of competition and monopoly takes place" (8). As is well known, V.I. Lenin put the clash of these mutually contradictory principles among the most profound and fundamental contradictions of imperialism (9). In turn, the combination of the power of the monopolies and the power of the state in a single mechanism does not do away with the contradictions between the bourgeois state aspiring in principle to express the interests of all monopoly capital and the individual monopolies pursuing their selfish goals in the struggle with other monopolies competing with them.

Transnational monopoly capital does not preclude but, on the contrary, exacerbates and intensifies the competitive struggle at all levels and in all its forms and manifestations. The last 10-15 years have revealed particularly graphically that while linking the economies of different countries with one another increasingly closely it has become a serious factor of a further growth of interimperialist contradictions, destabilization and the increased instability of the world capitalist economy. The TNC are deforming the development of the national economies and engendering an ever increasing threat to the sovereignty and economic independence not only of the emergent but also developed capitalist countries. A new knot of contradictions has arisen and is being tightened rapidly in this connection--between the TNC and the national-state form of the political organization of society.

A kind of dualism of the modern capitalist economy determined by the conflict between the plan-oriented organization of production within the TNC and the anarchy of the whole economy, that is, a contradiction which the bourgeois states are attempting--in vain, however--to alleviate by the control of world-economic relations, the coordination and standardization of their foreign economic policy and the passage of state-monopoly capitalism beyond the national framework, is reflected.

The interweaving of national finance capital and the cooperation of national and transnational corporations in spheres of production, science and technology at the time of realization of broad-based international projects in other spheres are effected by no means without conflict. The most acute contest is being conducted for world leadership in the high-science and high-technology sectors of production, for access to the resources of the oceans and for their industrial development. Relations between the TNC and the bourgeois states--both the countries where they are based and the host countries--are contradictory in the highest degree. The biggest TNC, American in particular, are superior in terms of economic strength to individual capitalist countries, which affords them an opportunity to operate with little heed being given to national legislation. There is a kind of transference to the world arena of the conflict situations and relations which are frequently

reflected between the monopolies and the state within the framework of single-country state-monopoly structures, with the difference merely that beyond the confines thereof the clashes are far stronger.

The formation of transnational finance capital with all its contradictions which have already come to light is not, in our view, grounds for the conclusion that whereas at one time capitalism with the domination of free competition was replaced by monopoly capitalism, and it, in turn, grew into state-monopoly capitalism, now the latter has acquired or is acquiring a transnational form. The transition of imperialism to a new phase, namely, the stage of the worldwide transcontinental alliance of imperialists or international state-monopoly capitalism, albeit important, is only a trend, which cannot reach full completion.

V.I. Lenin wrote that "development is heading in a DIRECTION toward a single worldwide trust swallowing up all states without exception. But development is heading toward this under such circumstances, at such a pace and given such contradictions, conflicts and upheavals--by no means only economic but also political, national and so on and so forth--that unfailingly BEFORE it becomes a matter of one worldwide trust, an 'ultra-imperialist' worldwide association of national finance capital, imperialism will inevitably have to have cracked, and capitalism to have become its opposite" (10).

Incidentally, the evolution of American leadership in the postwar capitalist world affords a graphic example of the untenability of the prospects of the formation of a "common worldwide trust". The formation of transnational monopoly capital by no means does away with the centrifugal trend in interimperialist relations, which is continuing to grow. It is not being removed either by the community of class interests and class policy of the bourgeoisie (11), economic, military and political integration or the interest in a unification of forces in the struggle against social progress and peace.

However internationally interwoven they are and however intensively they are integrated in the world capitalist economy and in the system of imperialist states, state-exclusive imperialisms each preserve their independence and are opposed to the other capitalist countries. They are all characterized by economic nationalism and "economic diplomacy" in the broadest interpretation of this concept and discord in respect of economic and, at times, political interests. It is this, we believe, which makes impossible the growth of imperialism into a transnational phase.

#### IV

The CPSU Central Committee Political Report to the 27th party congress and the new version of the party program reveal the most important features and singularities of the general crisis of capitalism in the current situation and determine factors of its further intensification. The "overripeness" of capitalism, as V.I. Lenin said, is striking. Its economic and sociopolitical principles are being undermined increasingly severely, and it is now encountering a number of social, economic and other impasses such as were unknown in all the centuries of its development. An unprecedented interweaving and mutual strengthening of all groups of antagonisms immanent thereto are



under way. It is such criteria which were made the basis of the concept of the three stages of the general crisis of capitalism, which was formulated by creative Marxist-Leninist thought and which, I believe, retains its significance today also.

In view of this, a comprehensive analysis of the general crisis of capitalism as a multilevel concept, whose components form a contradictory unity, cannot be confined merely to the framework of the capitalist world. Inasmuch as capitalism has not for a long time now been an exclusive system and is developing not in a political-economic vacuum such an analysis must unfailingly take into consideration in full the impact of world socialism and all revolutionary-liberation forces and movements on the trends and phenomena unfolding within capitalism and take account of the changing picture of international political and economic relations, economic decolonization processes and the development of world-economic relations.

Even quite recently it was believed that the general crisis of capitalism meant a continuous, from year to year virtually, weakening of the system departing the historical stage. But in reality it could be seen even earlier, as it can be seen now, that this crisis is developing unevenly and spasmodically in the highest degree and, in Lenin's words, via "long and difficult peripeteias," in the course of which revolutionary flows alternate with low tides and, at times, with failures and setbacks and with a number of "defeats of individual revolutions" (12). This is natural inasmuch as in view of the unevenness of capitalist development the seriousness of the contradictions in different countries and groups of countries of the nonsocialist world in this segment of time or the other is far from identical.

The prolonged, almost 70-year, development of the general crisis of capitalism confirms the well-known idea that history is not the smooth sidewalk of the Nevskiy Prospekt and that, as Lenin said, "imagining world history to be proceeding smoothly and punctually forward, without sometimes giant leaps backward, is undialectic, unscientific and theoretically wrong" (13). Nor does the present stage of the general crisis, the 27th party congress emphasized, entail an absolute stagnation of capitalism or preclude possibilities of the growth of its economy and the assimilation of new S&T fields. It "allows of" the retention of specific economic, military and political positions and, in some areas, the possibility of social revanche and a restoration of what had been earlier lost even.

Although the capitalist world has passed its zenith and is in a lengthy period of decline, it still possesses considerable reserves and, relying thereon, will prolong its existence. At the disposal of the leading, economically most developed capitalist countries is strong economic, S&T and intellectual potential, a well-tuned and ramified production machinery, skilled manpower providing for high labor productivity and vast natural resources. Attempting to adapt to the changed historical situation, capitalism is maneuvering constantly, in the sphere of social relations included, and endeavoring to deliver and put to its service the latest achievements of science and technology. The capitalism of the 1980's is capitalism of the age of electronics and information science, computers and robots.

The fundamentally new phenomena developing in the capitalist economy are at the basis of the extremely contradictory situation, unique in many respects, it may be said, which has taken shape therein currently.

The high, as a rule, rate of growth of the science- and technology-intensive and high-technology sectors and industries symbolizing S&T progress at its new stage, and the sharp deceleration of the overall rate of economic development given the tremendous underuse of manpower and fixed capital and the particularly frequent bankruptcies of industrial and banking companies. More restrained inflation in a number of countries (particularly in the United States, where it was "paid off" at the high price of the partially deflationary crisis of the start of the 1980's), and the very severe strain of the financial and monetary-credit systems of the capitalist states, colossal budget deficits and national debts, imbalances in international payments and foreign trade settlements, most acute attacks of currency fever and sharp fluctuations in currency exchange rates and the frequently economically unjustified sinusoidal spurts of the dollar up and down. The continuing process of the concentration, centralization and monopolization of capital, and the unusual surge, "second wind," so to speak, of small and medium-sized business, which has become more efficient at the current stage of the S&T revolution and to which the monopolies (while continuing to exploit it) are shifting the risk of and possible losses from the application in production of the latest types of equipment and technology, which, of course, does not abrogate the general and basic law of the current stage of the development of capitalism which is the birth of a monopoly by the concentration of production (14).

When did such a contradictory situation begin to take shape and when was the culmination of the turning point accompanied by the highly palpable change in trends of capitalism's economic development? The start of this process may with every justification be dated the 1970's, more precisely, the middle thereof. It is since then that there has been a sharp deterioration in the main--internal and external--conditions of the reproduction of social capital and the powerful development of its antagonisms accompanied by the continuing exacerbation of global problems.

Simultaneously there has been an intensification, prolongation and an increase in the frequency of economic crises and such new phenomena have arisen in the course of reproduction and the economic process as a whole as the periodically emerging stagflationary form of cyclical development, under whose conditions inflation and mass unemployment may continue given any economic conditions (both in rising and in falling phases of the cycle), and also the interweaving of crises of general overproduction and long-term structural upheavals of varying nature, type and caliber. Naturally, this has complicated and aggravated the course of each of these interconnected crises and made the way out therefrom more difficult. The factors whose combination was conducive to the progressive development of the productive forces of capitalism in the first 2-3 postwar decades, ensuring for it at that time a more or less stable and relatively high rate, have exhausted their effect to a considerable extent. And now capitalism, despite the almost 4-year growth of production in phases of recovery and upturn, is experiencing a most acute fit of its general crisis.

Also pertaining to the same time are the first steps in the transition of S&T progress to a qualitatively higher level. Increasingly new sectors of material production and circulation, spheres of management and service and everyday life are being pulled into the orbit of the "microelectronics revolution". Also approaching is a "breakthrough" in biotechnology and its most important offshoots--gene and molecular engineering. The economy is being transferred to resource-saving, low-waste and waste-free technology, multicomposition construction materials are being assimilated and new energy sources and synthetic materials are being developed increasingly extensively. Objectively all this is affording scope for an increase in the scale and an acceleration of the rate of growth of production. However, it is a question of capitalism's incapacity for providing for an expansion of the domestic market adequate to the contemporary productive forces. Its production relations are too narrow, and S&T progress is being limited by the ceilings which it is imposing on an expansion of effective demand.

Finally, there began at this same time a "change of guard" in state-monopoly regulation of the economy. This regulation had proven powerless to extricate the capitalist economy from the paradoxical situation in which it found itself. Moreover, it itself was a reason for the situation, and far from the least, what is more. This was natural inasmuch as at the basis of the regulation were Keynesian postulates intended by their creator and his followers for an entirely different course and nature of economic development in the period between the wars.

At that time, in the 1930's, there loomed menacingly over capitalism the problem of selling and the most acute insufficiency of "effective demand". In the 1970's, on the other hand, other problems had moved to the forefront, to many of which, specifically inflation, Keynesian doctrines have no direct relationship. Attempting with their help to overcome or ease simultaneously cyclical and structural crises, crises of overproduction and inflation and inflation and unemployment was the highest manifestation of dogmatic thinking and an obviously hopeless business since entirely different, even opposite, it may be said, approaches and measures were required. But nor did the updated neoclassical, particularly monetarist, concepts in various versions and modifications like "supply-side economics" or "rational expectations" and such prove to be the best when it came to the point. As a result government regulation of the economy reached an impasse.

In spite of the verbal balancing acts of neoconservative leaders concerning the "total freedom of private enterprise," there was no nor could there in principle have been, in our opinion, any dismantling, even partial, of state-monopoly capitalism. Government regulation of the economic process is not the result of the pleasure of individual personalities, whatever high positions in the hierarchy of capitalist management they occupy, but an irreversible normality of present-day capitalism brought about by the objective requirements of the development of its productive forces. A return from monopoly to a free market economy, from monopoly to "free" and "fair" competition, is nothing other than the reactionary-utopian dreams of bourgeois neoromantics or, in V.I. Lenin's words, a "vulgar-reactionary criticism of capitalist imperialism" (15).



As practice shows, a certain lessening of government intrusion in some spheres of the economy is compensated with interest and exceeded even by increased intervention of the state in other spheres thereof. Evidence of this, albeit not the main evidence, is the growth of the proportion of government spending in the U.S. GNP in the first half of the 1980's from 22.6 to 24 percent. But this is a separate subject.

In any event, no state-monopoly "modifications" and maneuvers can extricate the capitalist system from the state of all-embracing crisis. As the new version of the CPSU Program emphasizes, "the dialectic of development is such that the same resources which capitalism is setting in motion for the purpose of strengthening its positions will inevitably lead to an exacerbation of all its deep-lying contradictions."

The year of the 27th CPSU Congress was in many respects pivotal. Imperialism became increasingly severely enmeshed in internal and interstate antagonisms, upheavals and conflicts. This year unfortunately produced no lessening of international tension and building of confidence, although it opened with the Soviet program for mankind's entry into the new millennium without nuclear weapons and the specific political platform of an all-embracing system of international security. The arms race continues, and the threat of nuclear war has not been removed, however, following publication of the program, the struggle for the elimination of the most destructive weapons of general annihilation and for a nuclear-free world has switched to the practical plane.

The Reykjavik meeting was not a failure but a breakthrough. It confirmed the intention of the U.S. leadership to achieve military superiority on the path of preparation for "star wars," but it also showed the possibility in principle of accords leading to nuclear disarmament. There is growing recognition throughout the world that with the stockpiling of nuclear weapons and their sophistication the human race has been deprived of immortality and that it can only be restored through the destruction of these weapons. Saving the future for mankind and restoring immortality to civilization--there is no more important task than this. It is given to no one to pass a death sentence on mankind.

The year that has elapsed since the congress was also marked by specific efforts to make the Soviet Union a model of a highly developed state and a society of the most advanced economy, the broadest democracy and the most humane and high morality.

The cause of October--the difficult and noble, complex and majestic cause of revolution--continues. The continuity of the ideas which inspired the revolutionary masses almost 70 years ago and which are engendering the innovative energy of creation today is unshakable. The jubilee year of the Great October is called on to perform a most important role in the achievement of a successful 12th Five-Year Plan and, more broadly and profoundly, in the realization of the strategic course of the 27th CPSU Congress toward acceleration. This year is called on to be a further important landmark in the movement of our society toward a qualitatively new character, toward communism.



#### FOOTNOTES

1. V.I. Lenin, "Complete Works," vol 45, p 95.
2. Ibid., p 390.
3. V.I. Lenin, "Complete Works," vol 45, pp 16, 110.
4. Ibid., p 16.
5. See V.I. Lenin, "Complete Works," vol 44, p 169.
6. See ibid., p 364.
7. KOMMUNIST No 17, 1986, p 15.
8. K. Marx and F. Engels, "Works," vol 27, p 408.
9. See V.I. Lenin, "Complete Works," vol 27, p 415.
10. Ibid., p 98.
11. See V.I. Lenin, "Complete Works," vol 37, p 10.
12. See V.I. Lenin, "Complete Works," vol 27, p 305; vol 37, p 64.
13. V.I. Lenin, "Complete Works," vol 30, p 6.
14. See V.I. Lenin, "Complete Works," vol 27, p 315.
15. Ibid., p 322.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1987

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#### WRAP-UP OF MOSCOW FORUM ON NUCLEAR-FREE WORLD

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNIYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 19-33

[Article by V. Avakov and V. Baranovskiy: "In the Interests of the Preservation of Civilization"]

[Text] The "For a Nuclear-Free World, for the Survival of Mankind" international forum was held 14-16 February in Moscow. M.S. Gorbachev, general secretary of the CPSU Central Committee, met its participants and addressed them. The forum had assembled at the initiative of the international group of prominent scholars who had organized the previous meeting in July 1986. They were supported by figures of literature and art, physicians, political scientists and representatives of business circles and various religious communities. Approximately 1,000 persons from more than 80 countries took part in the forum altogether.

People of various professions (many of them of world renown) holding different political and ideological views and religious beliefs gathered in Moscow for the purpose of expressing their concern at the threat of mankind's self-annihilation engendered by the continuation of the nuclear arms race on earth and the plans for the militarization of outer space. They were all united by a common concern for the future of our planet. At a meeting with the group of figures of world culture--participants in the "Issyk-Kul Forum"--in October 1986 M.S. Gorbachev recalled the profound thought expressed by V.I. Lenin back at the start of the century concerning the priority of general values over the tasks of this class or the other. "Today, in the nuclear age," the general secretary of the CPSU Central Committee observed, "the significance of this thought is perceived particularly keenly. And I would very much like the proposition concerning the priority of the general value of peace over all others to which some people or other adhere to be understood and recognized in another part of the world also." The meeting in the Soviet capital, which gathered together the flower of modern science and culture, showed the vitality of Lenin's idea and was evidence of the capacity of mankind for mobilizing at its difficult moments reason, conscience and responsibility.

The forum was a kind of "intellectual assault landing" in the future to ensure that the expedition of the species Homo Sapiens into the unknown not result in a headlong race into the abyss. The idea of the meeting had been prompted by

life itself. Mankind had found itself at the crossroads--either survival or the outer darkness of nonexistence. It was seemingly frozen in astonishment in the face of its own monstrous creation, which could play a tragic part in its fate. Of course, it is not obligatory to see the future in black and white, meaning two extremes--destruction or progress. There is one further alternative--living in fear, continuing to stockpile the warheads of pessimism and uncertainty. But this is a sorry prospect, which we have no right to bequeath to posterity.

Destiny has presented the generation of people living now with the happy opportunity of making its appearance and living at a time of the flowering of civilization and harvesting the fruit of the experience accumulated by mankind. How much spiritually richer we are than those who were born before Raphael, Pushkin, Lenin, Gandhi and other geniuses of the human race! But history has had much to teach also: in order for all this to reach us the blood of millions had to be spilled. The present generation must preserve and, having enriched it, pass on the inheritance it has been bequeathed to posterity. Otherwise a backward time count will begin. But the way back will be short, and there will be no one, possibly, to judge us. After a nuclear war, M.S. Gorbachev observed at the meeting with participants in the forum, "no problems will remain and there will be no one to sit down at whatever kind of negotiating table--a stump or stone. A second Noah's Ark will not emerge from the nuclear flood. Everyone, perhaps, understands this intellectually. The point is to recognize that we can no longer count on 'everything turning out all right of its own accord,' but there are still many people in the world who think precisely thus. It is essential, postponing it no longer, to bring international intercourse and the behavior of governments and states into line with the realities of the nuclear age."

## I

The work of the forum was conducted per the professional principle in eight sections: "roundtables" of natural scientists, medical figures and physicians, representatives of the business world, culture and art, religious figures, political scientists, ecologists and sociologists were formed. A meeting of participants in the Generals for Peace and Disarmament movement was held in Moscow simultaneously.

Scholars of the USSR Academy of Sciences IMEMO participated actively in the organization of the political scientists' "roundtable". Four sessions were conducted--chaired by Academician Ye.M. Primakov, E. Bahr, director of the Security Problems Institute (FRG), Academician G.A. Arbatov and R. (Legvold), director of the A. Harriman Institute at Columbia University (United States). The subject matter of the discussion--"Ways of Survival in Our Interdependent World"--attracted the attention of a large number of specialists from several dozen countries. Among the foreign participants were, for example, J. Galbraith, professor at Harvard University (United States), R. Aliboni, director of the Rome International Relations Institute, S. Lodgard, director of the Norwegian Pugwash Committee, the influential Japanese politician K. Saeki, K. Subramaniam, director of the Defense Research and Analysis Institute (India), Adm (ret'd) G. Larocque, leader of Washington's Center for Defense

Information, the Italian general L. Kalligaris and K. Kaiser, director of Bonn's International Relations Institute (FRG).

In the course of the 2 days of work a broad range of issues connected with the search for effective ways, means and methods of easing tension, lessening the military danger and halting the arms race was discussed (1). The participants in the "roundtable" were essentially unanimous in their recognition of the urgent need for a diminution in the currently extremely high world level of military confrontation, which is jeopardizing mankind's very existence. However, the most diverse and frequently mutually contradictory opinions were expressed on the question of what the strategy and tactics of the struggle to overcome the military danger should be.

Thus, for example, a target of criticism in some speeches was the entire available experience of negotiations and agreements on questions connected with a limitation of and halt to the arms race. Specifically, it was said that whereas at one time the question of general and complete disarmament had been put on the agenda, in the past 2 decades this task had found itself relegated to the background, while the main attention had been concentrated on individual, particular problems, and their solution, what is more, had been the result of protracted "bargaining" and, as a rule, had proved palliative. The participants in the negotiations had been concerned not so much as to halt military rivalry altogether as to "not lose" as the result of the compromise which had been reached and at the same time reserve for themselves a certain freedom of maneuver in the areas of military organizational development which appeared to them promising.

Therefore, the adherents of a negative approach to the available experience of negotiations emphasized, there has been no real advance in the direction of disarmament. Rather may we speak of the reverse. The 1963 treaty banned nuclear tests in three environments, and opened wide for them underground firing ranges, not having halted the process of the improvement of nuclear weapons in the least. The SALT I agreement merely recorded the ballistic missile and missile-firing submarine levels reached by the Soviet Union and the United States, but did not prevent them undertaking the modernization of their strategic nuclear arsenals. The ABM Treaty was concluded merely because the very creation of a broad-based antimissile defense was considered hopeless; when, however, new technical possibilities emerged and the idea of a defense against ballistic missiles ceased to be rejected as totally unrealistic, the ABM Treaty itself was called in question. The list of "inadequately working" treaties is supplemented by a list of agreements which for this reason or the other have not come into force (the 1974 Threshold Treaty on Underground Nuclear Tests, the 1976 Treaty on Nuclear Explosions for Peaceful Purposes, the 1979 SALT II Treaty). It was concluded from all this that the available experience in the disarmament negotiations sphere has proven highly dispiriting: instead of disarmament, the "streamlining" of the arms race, which has created merely the illusion of some achievements, but which in practice has only stimulated military preparations in new and for this reason even more dangerous areas.

This viewpoint gave rise to objections on the part of other participants in the "roundtable". First, however limited the existing results might seem, they



nonetheless exist, and in the event of their absence, the arms race would in all probability be implemented on a far broader scale. For example, the ABM Treaty permits each side no more than 200 antimissile launchers, and the protocol concluded 2 years later reduced the number of permitted launchers to 100. Yet, according to some estimates, continuation of work on the creation of ABM defense of a country's territory could by 1980 even have increased their number to 10,000. Second, is it at all legitimate to counterpose the purpose of general and complete disarmament on the one hand and specific measures, albeit limited in scale, aimed at the achievement of this goal on the other? It should rather be a question of something else--integrating both these aspects and striving to ensure that the overall direction of movement not be lost sight of at the time of preparation of this agreement or the other.

In this context emphasis was put on the exceptional significance of the Soviet-American meeting in Reykjavik, which made it possible to rise above, as it were, the routine practice of lengthy negotiations and outline a prospect of really radical solutions opening the way to the elimination of the most dangerous and destructive strategic arms and, subsequently, all nuclear arms altogether. And it was a question in the Icelandic capital, what is more, as is well known, not of some abstract vision of a nuclear-free world but of a decisive breakthrough in this direction being accomplished within a clearly designated 10-year period, when all strategic offensive arms would be eliminated. The thought that there was no going back from the Reykjavik frontiers was heard distinctly in the speeches of many participants in the "roundtable".

A different viewpoint was expressed also. The essence thereof was that in the foreseeable future it was unrealistic to look for the complete elimination of strategic offensive arms (or just ballistic missiles even if the American interpretation is adhered to) and that for this reason the "second half" of the Reykjavik formula (based on a 10-year timeframe) is allegedly confusing, creates unwanted illusions and prevents concentration precisely on the tasks whose accomplishment is provided for in the first 5 years. In the channel of this approach is the argument about whether it is now worth negotiating about a nuclear-free world at all inasmuch as nuclear weapons are an important component of the existing balance of forces between the USSR and the United States and between NATO and the Warsaw Pact and that removal of this component would lead to a growth of instability and thereby to a growth of the threat of war. The logic in this reasoning amounted to the following: under the conditions which exist today nuclear deterrence performs a key role in safeguarding security; the elimination of nuclear weapons would of course remove the threat of nuclear war, but the inevitable price which would have to be paid for this would be a considerable increase in the danger of nonnuclear war.

Many participants in the political scientists' discussion objected to the proposition concerning the stabilizing role of nuclear deterrence. Of course, an understanding of the catastrophic consequences of the use of nuclear weapons has a sobering effect even on confrontationally-minded politicians. But after all, nuclear weapons provide no absolute guarantees in this connection. And if World War III has not erupted in the first 40 years of the

nuclear era, this has perhaps been not thanks to but in spite of the existence of nuclear weapons.

And the 40-year period of peace itself (far from general if we recall the multitude of local conflicts, whose casualties run into the tens and hundreds of thousands) proves nothing. As one speaker observed, 40 years after the Franco-Prussian war no one knew that there were just 3-4 years before World War I.

The problem is not only the absence of a satisfactory answer to the question of what will happen if deterrence does not "work" and the stockpiled 50,000 nuclear warheads (or even a small portion of them) crash down on mankind and wipe it out. There is added danger in the fact that the very process of the buildup and sophistication of nuclear arsenals justified by the tasks of strengthening deterrence destabilizes relations between states, increases mutual distrust and suspicion and prompts "retaliatory measures" in terms of a buildup of military potential, which, in turn, brings about the corresponding reaction. And so on ad infinitum.

Mention was made of one further aspect connected with the fact that only a small circle of states possesses nuclear status at the present time. If some of them consider nuclear weapons essential for safeguarding their security, why may those who do not have such weapons not reach the same conclusion? In other words, the lack of progress in nuclear disarmament threatens to erode the practice of the nonproliferation of nuclear weapons, which could lead to the emergence of new and highly complex problems for the international community.

The closest attention was paid to the discussion of questions of the practical implementation of the accords in question in Reykjavik. Many people emphasized that it was the United States' endeavor to preserve inviolate the SDI program which made impossible a Soviet-American agreement which could have been of historic significance for the fate of peace. In this sense the SDI has now become the main obstacle to the cause of disarmament.

At the same time the following opinion was expressed: this program, in the estimation of serious specialists, has virtually no practicable prospects and is being used increasingly by the opponents of arms limitation for purely political purposes--as a means of blocking negotiations with the Soviet Union. There is no reason to dramatize this issue: if the USSR, as its leadership has declared repeatedly, does not "fear" the SDI and could, if necessary, find an appropriate answer to it, would it not be easier simply to circumvent this obstacle and negotiate measures to reduce arms where this is possible today? Specifically, abandon linkage of the question of the nonmilitarization of space with the two other most important subjects which are being discussed at the Geneva negotiations and which were studied at the time of the Reykjavik meeting--strategic offensive arms and medium-range missiles? The USSR was reproached for allegedly having retreated from its recent position (when it expressed its consent to tackle the problem of medium-range missiles separately from the other issues), once again tying everything into the single package put forward in Reykjavik. The Soviet Union, according to this line of reasoning, is depriving itself of the possibility of today even reaching

important accords with the United States, which, in turn, could lend impetus to the search for compromise in other fields also.

The following idea was expressed in response: arguments about whether the Reykjavik package needs to be "untied" or not only distract attention from an examination of the heart of the problem in respect of its three components. After all, the achievement of accords in principle is still far from a treaty; the agreeing of details and the elaboration of specific provisions could take much time and effort. For this reason it is now important to concentrate attention on progress in each of the three areas.

The following was also heard in the course of the discussion: the proposals presented by the Soviet Union represent a balance sheet of compromises which contain the USSR's highly significant approach toward the United States on some questions and the expectation of reciprocal movement. But it is the latter which has not been observed either in Reykjavik or since--instead, it is proposed that the Soviet Union once again consent to new concessions. But it is not actually a question of carefully totting up who has conceded what and to what extent to whom but of averting a destabilization of the entire strategic situation and preventing an arms race in space. As some participants in the discussion recognized, it would be unjustified demanding of the Soviet Union deep cuts--of 50 percent and more--under conditions where it had no confidence that the United States would not attempt to "cover itself" against the remaining missiles and thereby appreciably diminish their role as a means of deterrence. As far as the question of medium-range missiles is concerned, since the forum even the Soviet Union adopted the exceptionally important and responsible decision to consent to its separate examination for the purpose of concluding the appropriate agreement as quickly as possible.

There was a serious discussion of the specific problems which require solution following Reykjavik. It was observed, for example, that there are many contentious issues of both a technical and legal nature surrounding the problems of the nonmilitarization of space; in connection with the Soviet proposals for the confinement of the work being performed on the SDI program to a laboratory framework and the prohibition of any tests of components of ABM defenses in space difficulties arise concerning definition of the very "laboratory" and "ABM component" concepts, which are absent in the ABM Treaty; and even some of the concepts contained therein may also be interpreted variously ("tests for ABM purposes," for example, and "creation" in the Russian text and "development" in the English).

At the same time the unanimous opinion was expressed that preservation of the ABM Treaty is a paramount task; a erosion of the conditions which it has created and attempts to undermine the significance of this most important document or circumvent individual propositions thereof would have the most unpleasant consequences both for Soviet-American relations and for a halt to the arms race. It was emphasized that the so-called broad interpretation of the ABM Treaty, toward whose unilateral adoption the U.S. Administration is disposed, is absolutely illegitimate; the purpose of this operation is perfectly obvious--opening the door to the creation, testing and deployment in space of "exotic" ABM systems and components based on new physical principles.



Discussing the prospects of an agreement on deep cuts in strategic offensive arms, some participants in the "roundtable" expressed the idea concerning the need not only to cut them in half but also to provide for a preferential reduction in the most destabilizing systems, that is, those capable of performing the assignment of delivering a first nuclear strike at protected targets on enemy territory. Other scientists, while agreeing with the fact that destabilizing systems do indeed merit special attention, objected to the arbitrary attribution to this category only of the Soviet SS-18 heavy missiles. It was observed, inter alia, that the American Trident 2 SLBM's would have even greater potential opportunities for delivering a first strike--considering their accuracy, reduced flight time and the increased element of surprise in the event of their launch on flat trajectories and with unpredictable directions. The following thought was expressed in this connection also: both sides could strengthen strategic stability by adopting a policy of a renunciation in the future of ballistic missiles with multiple warheads and their replacement with single-warhead missiles of mobile basing.

Essentially the arguments advanced in support of such an approach reproduce the recommendations of the Scowcroft Commission, on the basis of which the decision on the Midgetman missile was adopted in the United States. And a number of participants in the "roundtable" had every reason to note that the calls for a "structural rebuilding" of the strategic forces (for the purpose of ensuring a more stable balance) are addressed, as a rule, only to the USSR. Also attesting to this is the United States' endeavor to amend the Reykjavik accords after the fact and present matters such that only ballistic missiles and not heavy bombers were to have been destroyed by the time of the expiration of the 10-year term provided for therein. As is known, the United States has far more of the latter than the Soviet Union, and the latter would have in order to maintain equality to embark on a sharp increase in strategic aviation. This "logic" is essentially oriented toward conversion of the arms limitation process into its opposite.

A serious problem, the possibilities of whose solution remain unclear, concerns sea-based cruise missiles. They could be fitted both with nuclear and conventional warheads, and there are as yet no in any way reliable methods of distinguishing both modifications from one another with the aid of national technical means of supervision. As a participant observed in this connection, this example demonstrates very graphically the current flawed practice: when some weapons system proves difficult to monitor, it is taken out of the bounds of an agreement and is not subject to any limitations. Yet it has long been time to take as the rule an entirely different principle here: if a weapons system and the tasks of supervision are in conflict, the worse for the system: compliance with the quantitative limits determined for it needs to be verified by all, the most far-reaching, methods of supervision, including--in the given example of sea-based cruise missiles--the mandatory inspection of ships and submarines when leaving port, spot checks on the high seas and so forth.

As a whole number of participants in the discussion observed, there are practically no in any way fundamental difficulties concerning a medium-range missile agreement, and it is now merely a question of the signing of the corresponding Soviet-American document. However, some speeches pointed highly insistently to the close interconnection of this question and the problem of

"equalization" of the military balance in Europe at lower levels--in respect of missiles with a range of less than 1,000 km and also conventional arms and armed forces. The following idea was expressed even: uniting the negotiations on medium-range missiles with the Vienna talks on a reduction in armed forces and arms in Central Europe. The reasoning behind this proposal is interesting: on the one hand the problem of medium-range missiles has to be tackled in as broad a regional-European context as possible; on the other, this might help resuscitate the Vienna talks and impart to them some new impetus, without which they are doomed to endless deadlock.

The proposal, despite these arguments, gave rise to serious objections. After all, it is a question of a new "linkage" of the medium-range missile problem--on this occasion not with a higher but a lower level of military balance. And, furthermore, there are no particular grounds for expecting that it will in this way be possible to extricate the Vienna problems from deadlock, rather the contrary: it could "drown" the question of medium-range missiles, which has already been solved in principle, in the quagmire of incomplete and uncoordinated positions at negotiations which are now into their 14th year.

But the very formulation of the question of the need to head for a reduction in conventional arms and armed forces in Europe gained broad support. It was in a number of instances seen from different viewpoints, it is true. Thus, for example, its solution--on the basis of far deeper reductions for the Warsaw Pact than for NATO, what is more--was declared a necessary prior condition for embarking on a search for ways to lessen the role of nuclear weapons in Europe, not to mention their complete destruction. Advanced as an argument in support of such an approach was the traditional Western proposition concerning the "salutory role" of nuclear deterrence supplemented with arguments to the effect that only with the aid of nuclear weapons is NATO capable of resisting a hypothetical attack by the Warsaw Pact's conventional armed forces. Advanced as a counterweight was the idea of the need for simultaneous and parallel progress--both along the path of Europe's conversion into a nuclear-free zone and of a deep, radical reduction in conventional arms and armed forces on the continent. And the great significance of the Budapest proposals of the Warsaw Pact states organically supplementing and reinforcing the efforts geared to a diminution in the role of the nuclear factor in Europe was pointed out in this plane also.

The "roundtable" participants discussed with great concern the question of so-called alternative principles of safeguarding military security providing for a change in the entire organization of the armed forces and arms such that be adapted for the performance only of defensive functions and may not be used for attack purposes. Just some time ago even the ideas of "nonprovocative defenses" were frequently perceived as naive dreams divorced from real life. Today many serious specialists see this as an extremely important reference point for the efforts being made for the purpose of a diminution in the threat of war and for overcoming the mutual suspicion and misgivings which exist in relations between states.

The rebuilding of military structures and potential on purely defensive principles is, as the participants in the discussions observed, an exceptionally difficult task, of course. Its accomplishment would require the

surmounting of tremendous obstacles--of a purely organizational nature, those connected with singularities of operational planning, those conditioned by financial factors and problems of logistical supply and those concerning, finally, the purely psychological aspect even. Easy and rapid results are not to be expected here. But even now the very concept merits more in-depth, detailed study and also "attachment" to some parameters of the negotiations already being conducted on disarmament topics and states' proposals and initiatives being advanced in this sphere. Mention was made in the course of the discussion, for example, of the undoubted significance which is attached from this viewpoint to the initiative concerning the creation of a nuclear-free corridor along the line of contact of NATO and the Warsaw Pact, the idea of a reduction in or withdrawal from the borders of the most dangerous offensive arms and the proposal concerning a ban on large-scale military exercises.

Other questions connected with disarmament and with ensuring international security were also discussed within the "roundtable" framework. The most diverse proposals were expressed--sometimes winning general support, sometimes highly contentious (for example, for the purpose of averting a surprise or accidental unleashing of a conflict between NATO and the Warsaw Pact creating along the border between them a demilitarized zone which would be patrolled by a "triple force" composed of military subunits... of the USSR, the United States and Finland).

No document was adopted as a result of the discussions. Nor, strictly speaking, was there any need for such. It is far more important that a large group of specialists was able to exchange opinions on the most pertinent problems, on whose solution the prevention of war and the strengthening of international security depend. And not only exchange opinions but also better understand one another's arguments, ascertain the possibilities of a compromise being reached and determine the areas and specific questions which require the very close attention of both politicians and scientists.

## II

Great and interesting work was performed by the scholars working in the sphere of the natural sciences. In accordance with the decision of the international organizing body, four questions were submitted for discussion at the "roundtable": a radical reduction in nuclear weapons as a first step en route to their complete destruction; nuclear disarmament and European security; nuclear disarmament, strategic defense and the ABM Treaty; the banning of nuclear weapons. A meeting was held in the work group 2 days prior to the forum. Proposals were expressed pertaining to verification of the way in which the USSR and the United States would comply with an arms reduction agreement in the event of such being concluded. The participants in the meeting agreed that American and Soviet experts would be perfectly capable of providing for reliable verification of compliance with such agreements and formulating the technical and legal procedures of this process.

A seminar on technical aspects of the ABM Treaty also was conducted within the framework of the scientists' "roundtable". Particular significance was imparted to the discussion conducted within the framework thereof by the fact



that the ABM Treaty was undergoing a competent scientific analysis at the international level precisely at a time when Washington is stirring passions concerning the deployment of the first echelon of the SDI and when it would like to cancel out this document under the cover of its "expanded interpretation". A resume was adopted on the problem discussed. Although not all the participants supported every clause thereof, general agreement with the content of the document was recorded.

In the course of the discussion the participants in the seminar recognized the importance of preservation of the ABM Treaty conditions as an appreciable factor of ensuring strategic stability. It was observed that the development of the technology potentially applicable in antimissile defense systems could jeopardize the treaty itself. For this reason it would be useful to reach mutual agreement at U.S. and USSR government level in an interpretation of the terms of the treaty with reference to new hardware which could be used in ABM systems. The common viewpoint was ascertained that the prohibitory provisions of article V pertain to all ABM facilities, including those based on "different physical principles". The Soviet participants expressed particular objections in connection with the "broad interpretation" of the treaty by the U.S. Administration. They also expressed the opinion that the devices enumerated in the treaty performing the functions of components of ABM systems are not necessarily the sole ones subject to limitation. It was observed that the "components" concept should incorporate such devices as observation, detection, guidance, damage assessment and battle management systems. A number of Western scientists objected to the extension of the limitations to battle management systems, observing that such measures are not verifiable by national technical means.

During discussion of the question of compliance with the treaty some Western participants spoke of their concern in connection with certain Soviet actions. Specifically, the question of the building of a radar installation in Krasnoyarsk (2) and the work under way in the USSR on the creation of directed energy weapons was raised. The Soviet side did not agree with such an interpretation and simultaneously recalled numerous violations of the treaty by the United States, particularly in connection with work on the SDI program.

The seminar also discussed the problem of the achievement of mutual understanding in the interpretation of the provisions of the treaty, including the question of the boundary between prohibited and permitted work. Specifically, mention was made of measures clarifying the limitations on technology potentially applicable in ABM systems. Coordination of quantitative parameters would make it possible to draw a line between the development and testing of devices which could be used in ABM defense systems and devices not possessing this capability. Specific limitations on the intensity of directed energy systems, certain specifications of kinetic weapons, the capacity of power generators designed for deployment in space and the dimensions of the mirrors for lasers and sensors.

Concern was also expressed that certain limitations on systems connected with ABM defense could complicate scientific experiments for which analogous hardware is used. International cooperation in the realization of such projects would be a guarantee of their peaceful nature.



All the participants agreed with the exceptional importance of verification. Some limitations on technical parameters could create certain problems for verification by national technical means. A number of American scientists expressed the supposition that limitations on detection facilities would probably cause greater difficulties compared with quantitative limitations on assault devices. However, other participants favored verifiable limitations on all types of detection facilities used for ABM purposes.

Misgivings were expressed at the seminar that the development and deployment of ABM systems intended for destroying tactical ballistic missiles could lead to the erosion of the ABM Treaty. It was observed also that the development, testing and deployment of antisatellite arms could represent a destabilizing factor. It was stressed in this connection that the draft treaty banning antisatellite weapons presented by the Soviet Union in 1983 remains valid, as before.

Both in the course of the seminar and during the discussions at the forum itself various, at times contradictory, assessments could be heard. Although it should be mentioned for fairness' sake that it did not reach the point of acute clashes. There were evidently two reasons for this. First, the popularity of the very idea of a nuclear-free world discussed at the forum. Second, the kind of "boomerang effect" caused by the unseemly attempts of certain circles to boycott or, at least, compromise the Moscow meeting, declaring it a routine Soviet "propaganda stunt". The U.S. State Department, in particular, recommended against American scientists taking part in the forum, while the Energy Department went even further, prohibiting its employees, specifically physicists from the Livermore and Los Alamos laboratories, from traveling to Moscow. For this reason, for example, the SDI--the most contentious military program of recent decades--had essentially no advocates at the forum.

A particular feature of the forum was also the fact that no one endeavored to foist his opinion on others. The participants in the meeting did not set themselves the tasks of reducing everything to a common denominator. The main thing was to build up as large a sum total of ideas and proposals as possible, having interpreted which the scientists might in time suggest the optimum alternatives of a solution of general problems, primarily that of survival in the nuclear age.

The paper of F. von Hippel, professor at Princeton University and chairman of the Federation of American Scientists, containing a program of deep reductions in nuclear arms was received with great interest. Much therein echoes the nuclear-free world concept put forward by the USSR, although the Soviet participants in the discussion could agree in far from all respects with the scientist, whose proposals merit, in our view, more detailed illustration as the viewpoint of an authoritative specialist offering a comprehensive approach to nuclear disarmament from the standpoints of the new thinking. A reality recognized by all is, according to him, the fact that given the present level of stockpiling of nuclear weapons and their power of destruction, even the strongest powers have found themselves defenseless in the face of a nuclear attack and could be destroyed in a short period of time. The new thinking

recognizes this truth. Nuclear weapons have made war unthinkable. The main danger now is the possibility of the outbreak of an accidental or unsanctioned war. Therefore in the short term a fundamental task is to make the situation stable as far as possible. In the more distant future, the scientist observes, the new thinking directs us toward a gradual lowering of the level of the threat which both sides represent for one another. But counterposed to such thinking is the old approach, whose essence is defined by the aphorism of ancient Rome: "If you wish for peace, prepare for war". In particular, many people in the West believe that it is necessary to be prepared for the use of nuclear weapons to defend West Europe against a "Soviet invasion". Such a way of thinking stimulates the arms race.

Von Hippel's paper adduced new estimates of the consequences of the use of nuclear weapons. He considers unduly high, for example, the well-known "McNamara levels". "After we had learned more about the effect of nuclear weapons," the American scientist declared, "we understood that both the Soviet Union and the United States could be annihilated by a considerably smaller number of nuclear weapons than he (R. McNamara--authors) contemplated. In Princeton, for example, we calculated that as a result of the large conflagrations which would occur following large-scale nuclear explosions 70 1-megaton explosions would wipe out as many people as, according to the estimates of McNamara's analysts, would be wiped out as the result of a single 200-megaton explosions." It follows from this that the Soviet Union and the United States have stockpiled nuclear arsenals several orders of magnitude in excess of their requirement for maintaining a situation of "holding one another hostage".

This situation is leading to a further undermining of stability in the world. To avoid such a development of events von Hippel advances a program of "stabilizing reductions". The group which he heads at Princeton studied the possibility of a 90-percent reduction in the total number of nuclear arms in the arsenals of the United States and the USSR. Such a reduction, experts believe, should be effected exclusively thanks to the destruction of nuclear weapons intended for combat operations.

The elimination of theater or so-called tactical nuclear weapons is contemplated primarily. The nuclear arsenal of the two sides could be approximately halved. Currently the Soviet Union and the United States, von Hippel observed, have approximately 10,000 short- and medium-range nuclear missiles each. This means a high degree of probability that nuclear weapons could be used practically in any conflict between the United States and the USSR. Fearing a defeat, commanders on the battlefield would request permission to use nuclear weapons at the most elementary stages of such conflicts and in some cases would even have recourse to them without authorization. Such is the logic of the dilemma which arises in connection with nuclear weapons: "use or lose". The elimination of theater nuclear weapons would not, of course, remove the threat of nuclear war, furthermore, it would not avert the possibility of the use of long-range missiles against troops or ships but it would, on the other hand, permit the creation of a situation wherein decisions would be made in more considered and centralized fashion.

The rest of the two sides' nuclear arsenals is delivered by long-range strategic delivery systems. Some missiles may carry 14 warheads, and American bombers, 24. If, as the Princeton group proposes, missiles with multiple reentry vehicles were replaced by missiles with a single warhead and the armament of each American bomber reduced to 5 nuclear weapons, the total number of nuclear warheads on strategic delivery vehicles on each side would be reduced approximately from 10,000 to 3,500. In addition, the destruction of missiles with multiple reentry vehicles would do away, it is believed, with the reasons prompting a first strike.

But it is even more important, von Hippel emphasized, to preserve for the nuclear forces remaining after the reductions inviolability against a surprise enemy attack even if a large number of missiles with multiple reentry vehicles still secretly remained for each of them. The American military command even now keeps approximately half the nuclear-powered submarines permanently at sea, and one-third of the heavy bombers are always ready to take off at the alarm in a matter of minutes.

For subsequent reductions in warheads from the level of 3,500 it is contemplated reducing the number of delivery vehicles. "We believe that a reduction to 2,000 warheads is perfectly feasible. Even if all warheads were to have a yield of 100 kilotons, that is, 10 times less than the customary yield of single-warhead missiles, they would nonetheless possess a greater power of destruction than 10,000 of the bombs dropped on Hiroshima. This is many times in excess of what is required to maintain a 'holding one another hostage' relationship." The proposed reductions, von Hippel believes, are practicable only in the event of a renunciation of the orientation toward a preventive strike and also given the preservation and strengthening of the ABM Treaty.

A lively debate developed at the forum during discussion of the problem of the correlation of nuclear disarmament and European security. Mention was made of the special role of Europe in the history of mankind and in modern international relations. Many participants expressed the opinion that it is here, in the "laboratory of detente," that the first steps should be taken along the path leading to a radical reduction in nuclear arms. There was particular emphasis here of the interrelationship between nuclear disarmament and reductions in conventional arms.

The paper presented by Prof A. Boserup (Denmark), "Mutual Reduction in Offensive Potential: Key to Disarmament and Security in Europe," emphasizes that the problem of nuclear weapons on the continent is not only (and, possibly, not primarily even) their physical presence here but rather the role which they are assigned by military doctrines, Western particularly. Tactical nuclear weapons and medium-range missiles are sources of danger and instability not because they are deployed in Europe but by virtue of their very purpose. The opinion is current in the West that it is considerably inferior to the Warsaw Pact in terms of conventional arms. It is not even that important whether this corresponds to reality, Boserup observed. But inasmuch as such a viewpoint has become firmly established, it will always be advanced as an argument by opponents of disarmament proclaiming tactical nuclear weapons and medium-range missiles a guarantee of the West's security.



Stability and security in Europe, the Danish scholar believes, are possible only in a situation of "mutual defensive superiority," which he expressed by the formula:  $D(a) > O(b)$  and  $D(b) > O(a)$ , where "a" and "b" are the opposed sides, and "D" and "O" are their defensive and offensive potential respectively. The meaning of A. Boserup's arguments is as follows: since the West proceeds from the presence of an imbalance in terms of conventional arms, its equalization is a condition of nuclear disarmament on the continent. The obvious difficulty, however, is that "balance" does not amount to a formal numerical equality between the forces of NATO and the Warsaw Pact. What is important is something else: each side must feel that it possesses everything necessary to resist an attack, even under the most unfavorable conditions. For this purpose a reorganization of the sides' armed forces should be effected whereby defensive operations would guarantee greater success than offensive operations. It is such a situation which Boserup terms "mutual defensive superiority". He considers important conditions of its achievement a renunciation of assault forces, specifically, highly mobile tank units and attack aviation, and also a revision of the "offensive defense" doctrine. The speaker called on the West to abandon the strategy of "nuclear escalation," whose destabilizing nature is obvious. He also proposed abandonment of the corresponding "strikes in depth" concepts.

It is indicative that the ideas of "nonoffensive defense" like that presented in Moscow by the Danish scholar have become widespread in Europe in recent years. Analogous or essentially close proposals have been advanced by a number of European socialist and centrist parties. But as yet this idea has far more opponents, who assert that its realization would signify a unilateral concession to the Soviet Union, weaken the West and turn it into an object of political pressure on the part of the USSR. In this connection Professor Boserup called on Western countries to familiarize themselves more closely with the proposals of the socialist states put forward in Budapest in 1986: "In this statement the Warsaw Pact countries recognized the need for basing military concepts and the doctrines of military alliances on defensive principles and proposed the formulation of procedures for a reduction in troops and arms such that this process lead to a lessening of the danger of surprise attack and the consolidation of military-strategic stability on the European continent."

Other Soviet initiatives in the sphere of nuclear disarmament were supported at the forum also. Thus summing up the work of the scientists' "roundtable," Prof von Hippel evaluated highly the unilateral Soviet moratorium on nuclear explosions and advocated a halt to nuclear testing everywhere. Speaking in the Kremlin at the behest of the organizing committee, he summed up the conclusions reached by the scientists in the course of the discussions. In particular, they recognized that "the conditions exist for a reduction in nuclear arms; it is essential, however, to formulate a program which would permit the disarmament process to be implemented." The scientists confirmed that an absolutely reliable defensive system cannot be created and that the deployment in space of ABM systems would subject the existing stability to great danger. They emphasized that renunciation of the ABM Treaty would create a threat to the whole world. Simultaneously the participants in the "roundtable" emphasized the need for the creation of a basis for mutual



understanding and the conclusion of an agreement on the nondeployment of arms in space. Particular concern was expressed in connection with missiles with multiple reentry vehicles and also cruise missiles.

Of course, the participants in the other "roundtables" could not compete with the scientists in the degree of competence of the discussion of problems of nuclear disarmament, primarily its technical aspects, procedures and so forth. However, the questions which they examined are exceptionally important from the viewpoint of the future of mankind and serve as a reference point of civilized intercourse between peoples and states. It is clear that an indispensable prerequisite of prosperity in the world is the normal development of economic and trade relations between states of different social systems. There cannot and must not be exclusive economies in an interconnected world. All this demands an improvement in world-economic relations and a further search for new forms of business cooperation. Speaking in the Kremlin, R. Ossola, president of the Italian-Soviet Chamber of Commerce, stressed that a strengthening of economic cooperation between different states "will create conditions conducive to the further development of all countries and a strengthening of peace worldwide, which is mankind's principal goal." the participants in the "Problems of Peace and Business Cooperation" "roundtable" discussed such questions as "East-West Economic Cooperation: Problems, Prospects," "New Forms of Business Cooperation," "Disarmament and States' Economic Security: New Thinking and Approaches" and "The Role of the Banks in the Development of Economic Cooperation".

The participants in the "roundtable" of representatives of the business world agreed that East-West economic and political relations had improved considerably. Much attention was paid to the economic reforms being implemented in the Soviet Union. There was detailed discussion of the question of the creation by Soviet legislation of conditions conducive to the development of economic cooperation with capitalist states and private firms, in the formation of joint ventures included. Many captains of Western business supported the development of cooperation at bank level.

No less significant problems of a general dimension were examined by the participants in the other "roundtables": by figures of culture and art, men of medical science and physicians, ecologists and sociologists. Merely the list thereof attests the broad range of the questions discussed: the new thinking--way to salvation and the solution of global problems of mankind; the role of culture in the defense of civilization and general values; creativity and preservation of habitat; medical-psychological aspects of the nuclear threat; the lessons of Chernobyl and medical-biological aspects of nuclear war; the stereotyped "image of the enemy" as an obstacle in the way of fruitful negotiations; protection of near-Earth and outer space against pollution; the disastrous ecological consequences of a nuclear conflict; the ecologization of S&T and socioeconomic progress; the cooperation of ecologists in the sphere of environmental protection and the defense of general peace; and so forth.

Representatives of all six world religions from 56 countries and West Berlin assembled a "roundtable" of religious figures. "The threat of a nuclear holocaust makes it incumbent upon all of us to immediately channel our creative activity into the sphere of peace-making, rethinking from the moral

and theological viewpoint the realities of our age. It is essential to awake in each individual a sense of responsibility for the fate of everything living on Earth," Metropolitan Krutitskiy and Kolomenskiy Yuvenaliy declared at the forum. The religious figures adopted a joint document in which they appealed to the leaders of the leading nuclear countries: declare once for all that nuclear war is immoral and unacceptable from the human viewpoint; condemn once for all the doctrines of nuclear deterrence and mutually assured destruction; unconditionally respect existing arms limitation treaties, including the ABM Treaty; immediately embark on the conclusion of new treaties in keeping with the hope kindled in Reykjavik.

The religious figures' appeal concludes highly symbolically. The question heard therein reflected the frame of mind of perhaps all participants in the forum: "If not I, who? If not now, when?"

The Moscow forum was a major present-day event. Its main result was the triumph of the new political thinking. The best minds of mankind had assembled in Moscow to once again evaluate the extent of the nuclear threat and ways to eliminate it. On behalf of the participants in the forum Academician Ye.P. Velikhov supported the program put forward on 15 January 1986 by the general secretary of the CPSU Central Committee for the stage-by-stage removal of nuclear weapons by the start of the next millennium. "We see this as the main task of our generation," he declared.

The idea of the creation of "open laboratories," that is, a sector of science not connected either with military or commercial secrecy which within the framework of open extensive international cooperation would conduct research into universal human problems, was discussed in conclusion of the work of the forum. This idea gained the scientists' extensive support. To promote the development of such a sector it was decided to set up a special foundation. A number of the projects discussed provides for an improvement in education and medical assistance in the world, earthquake forecasting and extension of the boundaries of human knowledge.

The forum's work was evaluated highly in the speech to its participants by M.S. Gorbachev. He supported the active participation of the Soviet public--both material and intellectual--in the activity of the Foundation for the Survival of Mankind and assured the participants in the forum that the Soviet Government would treat attentively all that had been expressed in the course of its work.

The discussions in Moscow made it possible to take one further step forward in the world community's comprehension of the scale of the nuclear threat and lend new impetus to the struggle for its removal. And it cannot be denied, the general secretary of the CPSU Central Committee stressed, that this struggle "has now become a grand moral-political school in which the people's masses and whole nations are learning a difficult, but essential art: living with one another in the world. Finding a balance of general and particular interests. Boldly and honestly looking the present and future in the eye, comprehending them and, comprehending, opportunely drawing conclusions for practice." The Moscow forum was confirmation of this.

#### FOOTNOTES

1. In order to impart a freer nature to the exchange of opinions it was decided to conduct it behind closed doors; for this reason the main propositions of the political scientists' discussion reproduced below have been depersonified. The authors of the papers are mentioned merely in the cases where written versions of their speeches were distributed at the forum.
2. We may recall in this connection the readiness expressed by the Soviet Union not to complete the installation of the radar station near Krasnoyarsk in the event of the United States agreeing to dismantle the powerful phased-array radar station built in the guise of "modernization" in the Thule area (Greenland) and abandoning the construction of a similar station on Fylingdales Moor (Great Britain).

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#### VARYING WEST EUROPEAN ATTITUDES TOWARD SDI, MILITARY INTEGRATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 34-42

[Article by G. Kolosov: "Military-Political Aspects of the West European Integration Process"]

[Text] Among the diverse forms of cooperation of the European Community states, military-political, military and military-industrial relations occupy a somewhat exclusive place. Formally, in accordance with the provisions of the treaties of Rome and the evolved practice of Community activity, questions of the coordination of military-political courses, coordination of the military planning and activity of the armed forces and joint arms production are resolved outside of its institutions, predominantly in NATO or within the framework of specially formed mechanisms not directly related to the EC. Nonetheless, the ongoing expansion of such cooperation can hardly be regarded in isolation from the general process of West European integration if only because all the leading countries of the Community participate actively therein.

A further enhancement of the role of the EC in the system of international relations was observed in the past decade and the first half of the 1980's. At the same time, however, the intensification of the interrelationship of its participants is extending increasingly to the military-political sphere, although the latter remains predominantly the "domain" of the national governments and NATO. The endeavor of the ruling circles of the West European states to achieve in inter-Atlantic relations positions enabling them to exert a greater influence on their development as a whole and to use the increased economic potential of the EC as an instrument of political influence providing more fully for the possibilities for the pursuit of an independent policy is contributing to the changes.

Of course, as the 27th CPSU Congress observed, "it is difficult to expect that the evolved complex of economic, military-political and other common interests" uniting the West European "power center" and the United States "could be severed under the actual conditions of the modern world. But within the confines of this complex Washington should not expect the uncomplaining obedience of its ally-competitors to the American diktat, the less so to the detriment of their own interests."



The changes in this direction are not always proceeding incrementally, opposite trends are also observed brought about largely by the disagreements among the members of the EC over how relations with the United States should be built. Upon determination of their positions in respect of this issue in the mid-1980's the West European states have encountered a number of new, complex problems connected primarily with the need to give an answer to the far-reaching plans advanced by the U.S. Administration providing for the enlistment of the West European countries in the SDI, a stimulation of their participation in NATO and a toughening of relations with the Soviet Union.

#### Atlantic and European Trends

In the mutual relations of the West European countries and the United States the significance of the two said trends and the actual relations ensuing therefrom is dissimilar and the degree of independence of the West European states in the development of military-political, military and military-industrial cooperation and the terms of its combination with overall NATO activity differ.

The greatest degree of unity is manifested in determination of the main military tasks of the North Atlantic alliance, the significance of the American nuclear assurances and coordination in the military-political sphere. Disagreements, on the other hand, are usually observed when it comes to the correlation of the proportional participation of West Europe and the United States in the bloc, the corresponding roles of the American nuclear forces in Europe and the general West European forces and the combination of military integration in NATO and military-political cooperation on the European continent. Differences have been revealed recently in the approaches of the governments of West European countries to the proposals of the U.S. Administration concerning their participation in realization of the "star wars" program. As a whole, greater concern than in Washington is being displayed here at the exacerbation of the international situation, the increased level of military confrontation on the continent and the prospects of a further spiraling of the arms race. All these factors are largely influencing the positions of the ruling circles of the West European states.

The question of the ultimate goals of military-political cooperation and its correlation with the activity of NATO arose with special keenness in the middle of the current decade, when the U.S. Administration unfolded before the allies its plans for the realization of the SDI and advocated a concentration of their efforts on an enhancement of the level of the general forces. As a result they were faced with a choice. Acceptance of the American proposals would increase appreciably their dependence on the United States. In this case military partnership between them would subsequently also be basically of a subordinate nature compared with common efforts within the NATO framework. On the other hand, attempts to display greater independence are fraught with the risk of Washington's strict retaliatory response. This applies particularly to nuclear arms.

During discussion of the prospects of military-political cooperation in West Europe considerable attention is being paid to the possibility of the

formation of a so-called West European "deterrent force" based on the nuclear potential of Britain and France or even on the basis of just the French arsenal. Realization of such a possibility is linked, as a rule, with hopes for reduced dependence on the United States in the provision of "nuclear deterrence" in Europe and the formation here of an autonomous military-political system. However, en route to this there is a whole number of appreciable obstacles which have to be taken into consideration in the West European capitals.

Primarily such a "deterrent means," whether in the form of the French or coordinated Anglo-French nuclear forces, is not as yet something practicable, even less something contributing appreciably to a strengthening of the positions of the European NATO participants.

Further, these forces are not comparable in terms of their potential with the U.S. nuclear arsenal and, in the opinion of many politicians and military specialists, cannot serve for the participants in the North Atlantic bloc as a substitute for the latter. Their further buildup, on the other hand, and orientation toward the performance of the corresponding military assignments in Europe are directly contrary to the interests of nuclear arms control.

Finally, the very formulation of the problem of a West European "deterrent means" in the plane of the further development of the military-political cooperation of the West European states inevitably entails the question of the role of the nonnuclear participants in such cooperation and their attitude toward this means. The endeavor of the leaders of France and Britain to ensure national control of the nuclear forces, even if they are performing some "West European" functions, is not contributing to increased interest in, for example, the FRG and Italy in the plans for the formation of such a "means of deterrence," and, on the contrary, any mention of the possible enlistment in the realization of such plans of the FRG causes a highly negative reaction in other countries of the continent.

As a result the European participants in NATO's military organization are continuing to rely on the United States in the provision of nuclear assurances, regarding the prospects of the formation of their own "deterrent means" at least as a hypothetical possibility which may be realized only in the event of an appreciable rapprochement of the military-political courses of the leading West European states. For this reason they attach the main significance to participation in NATO's nuclear planning and assistance to the United States in the buildup of nuclear arms on the territory of countries of the Old World. The deployment here of Pershing 2's and cruise missiles increased even more the Atlantic aspect of the West European states' relations in the nuclear sphere.

The statements of official American spokesmen emphasize that continued pursuit of the "flexible response" strategy requires a considerable buildup and qualitative rearmament of general forces, primarily of the European members of the North Atlantic alliance. If this is not done in the immediate future, nuclear weapons will remain "the sole reliable deterrent means" (1).

Simultaneously Washington is making it understood that the allies' reluctance to assume the main burden of realization of these plans could lead to a serious complication of inter-Atlantic relations as far as the withdrawal of some of the American troops. Such pressure, in the words of NATO Secretary General Lord Carrington, "shocked" the West Europeans, who consider their present "contribution" quite substantial.

After all, of the armed forces ascribed to NATO, the bloc's European participants were at the start of the 1980's even supplying up to 90 percent of ground forces and tanks, 70 percent of naval and 70 percent of air forces. Furthermore, their share of total military spending has grown (2). Such an appreciable participation is prompting them to seek a bigger role in the structure of the military command and the realization of various programs, from logistics through the elaboration of strategic doctrine.

Indeed, cooperation in these spheres is effected largely in accordance with the overall plans of the bloc and depends on the decisions of its command. At the same time, however, while not rejecting the U.S. demands for an increase in NATO's nonnuclear potential, the West European allies fear the consequences of such an increase in the level of confrontation and are attempting to coordinate their positions for the purpose of pursuing a common policy in relations with the Americans. This cooperation is particularly noticeable in the military-political sphere.

#### Development of Military-Industrial Cooperation

An essential trend has shown through in the past 20 years in the approach of governments, primarily of the defense ministries, and also the firms of a number of West European states to the production of new arms--an increased orientation toward the development of mutual military-industrial cooperation as an integral part of the integration process. It is aimed at an increase in the arsenals of its participants and as a whole corresponds to NATO plans for an increase in the bloc's aggregate military potential. At the same time its expansion is being catered for by the increased possibilities of the corresponding sectors of industry and a strengthening of mutual relations. In this plane this cooperation is contributing to the consolidation (in respect of the United States) of the positions of its participants in arms production.

The development of partnership is also predetermined by the endeavor of the governments and, particularly, the military departments to compensate for the rapidly increasing expenditure on the development and manufacture of new systems. Thanks to the use of such a method, they hope to secure large-scale orders, reduce production costs and overcome technical difficulties in the creation of modern arms.

The main joint programs are being implemented by the states with a highly developed military industry, primarily France, Britain, the FRG and Italy. The conditions of the development of such programs are the large-scale national military production, the high level of R&D and, of course, the interest of the governments and business in the creation of the latest arms.



France has most military-industrial cooperation agreements with West European partners: in the 1970's-start of the 1980's it was participating in 15 large-scale joint programs of the development and production of arms and military equipment. The involvement of the FRG and Britain, which participated in 13 and 11 West European projects respectively, was somewhat less. Italy participated in 4 programs, Belgium and Holland accounted for 2-3 programs (3). And although the association of Spain, Norway and Greece with military-industrial cooperation has been observed in recent years, their participation is as yet confined mainly to the acquisition of licenses and arms purchases.

Also highly dissimilar is the role of such cooperation in different spheres of military production. It is particularly pronounced in aviation-missile industry. Long-term relations between France, Britain, the FRG and Italy have been established and the biggest joint programs have been developed precisely in the manufacture of military aircraft, helicopters, tactical missiles and aircraft engines. This is largely explained by the rapid growth of the cost of the said arms and their technical complexity. The biggest program has been the production by Britain, the FRG and Italy of the Tornado multipurpose fighter-bomber. But before its completion even the three governments were attempting to switch to the development of a new fighter designed in the 1990's to replace those currently in service with the air forces. The defense ministries began discussion of the possibilities of a joint program and the coordination of the military-technical specifications of the new aircraft. Spain joined the consultations in 1984.

A new area of cooperation in the development of aviation-missile technology attracting increasingly great attention is the creation of carrier rockets and communications satellites. And although the activity of the European Space Agency (4) is as yet confined to civilian projects connected with the launch of commercial satellites, the experience accumulated in this field could also be used for military purposes. The leading role in the creation of the Ariane carrier rocket is performed by France, and the proportional participation of French firms in the program constitutes, as a whole, almost two-thirds. The launch of two dozen various satellites, the first of which was put into orbit in 1983, has been planned for the 1980's.

The composition of the participants in the space projects testifies to the highly significant interest in an expansion of partnership in the given field primarily of the leading aviation-missile firms actively involved in military-industrial business. As a result of the cooperation which has been developing rapidly in recent years the grounds are appearing for the development, particularly by France, Britain and the FRG, of military studies in the sphere of space technology.

The proposals put forward by Paris concerning the implementation of the broad-based Eureka program are geared as yet, according to official assurances, to the development of research in the civilian sectors into the latest technology and will lead in the event of their realization to a qualitative rise in the level of cooperation of the West European states in this sphere. This could also correspondingly influence the development of their military-industrial partnership, primarily in the production of communications and observation facilities and the upgrading of computers and data processing systems.



The expansion of military-industrial cooperation has led to the point at which whereas in 1977 joint projects accounted for approximately 10 percent of the total cost of the arms and military equipment made in the leading West European countries, at the start of the 1980's this proportion had reached 20 percent. There has been a simultaneous increase in the exchange of military technology and purchases of licenses (5).

In line with the upgrading of military-political cooperation the contours of an intergovernmental center of its planning and coordination are appearing increasingly distinctly. At the same time the main obstacles in the way of the completion of the creation of such a center are the as yet continuing orientation of the participants in the process toward the pursuit of national programs in many spheres, the continuing struggle for leadership between Britain and France in the shaping of such a mechanism and, finally, the difficulties of its combination with the activity of the military-industrial cooperation coordination bodies functioning in NATO.

At the start of the 1980's the participants in the European Program Group (EPG) (6) were able to notably expand the exchange of information concerning military production and rearmament plans and to reach an agreement on the implementation of a number of joint projects. And although the EPG's activity is as yet confined predominantly to the discussion of various recommendations concerning the expansion of military-industrial cooperation and the coordination of the long-term planning of the production of new arms, the participation therein of France lends particular significance to these efforts, testifying that the intergovernmental system of coordination also corresponds to the current practice.

A principal aim of the participants in West European military-industrial cooperation was and remains a strengthening of their positions in respect of the United States. But this goal has yet to be achieved. The correlation observed in the past decade in the inter-Atlantic trade in weapons and military technology--1:10 in favor of American suppliers--remains practically unchanged.

This situation has been brought about primarily by the United States' continuing leadership in the production of the majority of the latest types of weapons and also active resistance to a change in this correlation in favor of West Europe on the part of American military business. The problem is also that all the leading participants in West European military-industrial cooperation, including France, are maintaining and expanding even close relations with the United States in arms production. Such dependence on the Americans in R&D is essentially increasing as a result of the association of Britain, the FRG and Italy and also firms of other countries with realization of the SDI program.

#### Formation of a System of Military-Political Coordination

There has been a marked expansion in the past 15 years in West European states' relations in the military-political and military spheres. While developing in accordance with the overall goals of NATO, this process does not

at the same time preclude the West European participants' formulation of a number of tasks corresponding predominantly to their own interests, which differ from American interests. To a certain extent this has led to the formation of a more or less autonomous grouping within the framework of the North Atlantic alliance, which can be seen in the example of the activity of the main centers of military-political coordination--the Western European Union (WEU), the NATO Eurogroup and the system of consultations of the European Community states on security issues which is taking shape.

Abiding by treaty commitments, the members of the WEU--Britain, France, the FRG, Italy, Belgium, Holland and Luxembourg--have right until the expiry of the term of the treaty in 1998 to coordinate their actions in the military-political sphere and render one another military assistance in case of necessity. The WEU remains as yet the sole multilateral military-political alliance of West European states with a treaty basis and structure corresponding to some extent to its mission. The WEU Council, which meets twice a year at the level of foreign ministers or their deputies (and as of 1984 with the participation of defense ministers also), is empowered, besides coordinating positions, to adopt decisions concerning a revision or the lifting of the restrictions on arms production in the FRG. As a result Bonn has obtained permission to create practically all types of conventional arms, including missiles, bombers and large-scale warships and submarines. The lifting, primarily with the consent of France and Britain, of restrictions in effect earlier is contributing to an appreciable buildup of the military power of the Bundeswehr.

In addition, the WEU is intended, in accordance with treaty commitments, to play a considerable part in the exchange of military information among its participants and contribute to the development within its framework of military-industrial cooperation. Proposals aimed at converting the WEU into a coordinating center of West European military-political and military-industrial cooperation have been put forward repeatedly at sessions of its assembly--the representative body of the union in whose work members of the parliaments of the seven states participate.

Advocating the realization of such plans are primarily the French leaders, who consider an important advantage of such partnership its autonomy in respect of NATO. In recent years the French Government has repeatedly proposed a transition to discussion at sessions of the WEU Council of problems of strategy, various aspects of strengthening military power and an intensification of joint arms production. Paris does not conceal here the fact that it regards the formulation of a common approach to the United States a principal purpose of such coordination.

Ultimately the other members of the organization have accommodated the French proposals to some extent. At the council session in October 1984 the participants' foreign ministers noted in a joint statement the usefulness of regular consultations on military-political issues. This decision, incidentally, which has yet to be fully realized, was largely brought about by the discussion which had developed in NATO over the United States' demands for a "redistribution of the burden" in the buildup of conventional arms.

The proposals concerning the union's conversion into the leading body of West European military-political cooperation cannot be fully realized without considerable changes in policy contributing to the achievement of its participants' greater independence in this sphere. In practice they have all, aside from France, been oriented as of the start of the 1970's toward the development of West European military partnership in the NATO Eurogroup.

The activity of the latter reflects, from the viewpoint of its members, the optimum combination at this stage of the trends of Europeism and Atlantism in their military-political courses. On the one hand the Eurogroup was, as established at the time of its creation, to be the center of coordination of cooperation in the military-political, military and military-industrial spheres, contributing to safeguarding the interests of the West European allies in relations with the United States and the consolidation of their positions in NATO. At the same time its tasks were from the very outset largely dictated by the "need" for an increase in the European share of expenditure in NATO and the development of the interaction of the armed forces in compliance with the plans of the bloc's military command. The Eurogroup was regarded by its founders by no means as a basis for the formation of an independent West European association but essentially as an auxiliary mechanism of NATO, albeit possessing a certain autonomy. All this conditioned the particular features of the functioning, sphere of activity and structure of the Eurogroup and the limits of the expansion of the interrelationship of the states incorporated therein.

In practice its principal tasks amount to the coordination of the participants' contribution to the buildup of NATO's power, the financing of joint programs of modernization of the bloc's infrastructure, the increased interaction of the national armed forces and the complementariness of arms and military equipment. The members of the Eurogroup coordinate a number of aspects of national rearmament programs, annually report on the adoption of new weapons systems and are fulfilling their commitments pertaining to the 3-percent growth of military spending in real terms.

However, the statements concerning the close coordination of the programs do not mean that the Eurogroup has already become a center of cooperation in which regulation of the size of military budgets, planning the organizational development of the armed forces and coordination of the participants' policies are practiced.

Recently the Eurogroup has increasingly often been accommodating the United States' demands for additional contributions by the West European allies for a strengthening of NATO's so-called "nonnuclear defenses". A program of modernization of the bloc's infrastructure has already been developed, the construction of new ammunition dumps is under way and other measures designed to enhance the efficiency of the general armed forces are being prepared.

The development of West European military-political cooperation based on the Eurogroup is largely being hampered by the French Government's refusal to take part in its activity explained in Paris by the Eurogroup's close ties to the NATO military organization and the specifics of the assignments which it carries out.



The attempts to develop the military-political cooperation of states within the EC framework call attention to themselves also. Thanks to the political integration in the Community and, particularly, the functioning of the system of foreign policy coordination, the conditions have been secured at the present time even for the participants' transition to a study of certain military-political matters and their formulation of the appropriate consultation procedure. In any event, as distinct from the WEU and the Eurogroup, considerable experience has been accumulated in the Community of the advancement of joint initiatives, which could serve as a definite basis for the development of military-political cooperation.

True, a special military-political coordination center defined by treaty commitments has yet to be created in the EC. Although various plans for the formation of such a mechanism have been put forward repeatedly by Europeist politicians and specialists, they have yet to be realized, and in fact steps toward the establishment of military-political cooperation have by no means followed the outlines contained in these plans. In practice there has been a gradual expansion of the sphere of foreign policy consultations of the Community states and the incorporation therein initially of security issues and, subsequently, of certain aspects of military-political problems.

The "generator of ideas" here is the European Parliament, which has repeatedly passed resolutions calling on the governments of countries of the EC and its bodies to finally switch to the institutionalization of military-political relations. Such proposals, albeit more guardedly, are beginning to be put forward at government level also. A step of considerable importance in this direction was taken at the London meeting of foreign ministers in October 1981. The representatives of the FRG and Italy put forward the joint proposal that in the course of the subsequent formation of a European union military-political questions be a subject of discussion in the Community for the purpose of the formulation of a common approach to them. Despite the fact that the proposal was not at that time actively supported by the remaining participants, a compromise decision was reached in accordance with which the desirability of the study within the EC of "global political aspects of security" was recognized.

The common political line of the Community at the time of discussion of problems of security and disarmament at international forums has shown through for a whole number of years now. This coordination of actions is particularly noticeable in the United Nations. The joint position is usually expounded by a spokesman of an EC state in a statement prepared and coordinated in advance. Such statements are of an equivocal nature, but they reflect the main thrust of the participants' policy and are frequently dictated by the interests of opposition to the socialist community. At the same time at the start of the 1980's the Community states supported in the United Nations the prevention of the spread of an arms race in space. Policy was also coordinated in the course of the Madrid meeting and the Stockholm Conference on Confidence-Building Measures and Security and Disarmament in Europe.

On the initiative of the governments of France and the FRG a new attempt was made in the mid-1980's to speed up the development of military-political



relations in the EC. Endeavoring to remove the objections of the opponents of such cooperation, Paris and Bonn put forward the proposition concerning progress toward the creation of a European union "at two speeds". In accordance with this, states most interested in the discussion of problems of security and this military-political issue or the other could switch to the coordination of positions separately. The draft treaty on European union presented by France and the FRG at the Milan summit (June 1985) provides for the establishment of such coordination for the sake of the increased independence and "affirmation of the distinctiveness" of the Community. Consultations on military-political issues in the WEU prior to the formation of a special center are not precluded.

These propositions were reflected in the draft political cooperation treaty approved at the session of the European Council in Luxembourg (December 1985): the EC countries undertook within the framework of the pursuit of a "European foreign policy" to develop coordination in the solution of security questions. The role of this cooperation and its forms are to be determined by such factors as the general state of the Community countries' relations with the United States and differences on problems of the functioning of NATO and also to depend on the readiness and capacity of the EC participants themselves for formulating common approaches to military-political questions. Endeavoring to avoid additional difficulties on the path of West European integration, the ruling circles of countries of the Community are deliberately not separating the limited military-political cooperation which has begun from foreign policy cooperation, unwilling to create the impression of a difference between its goals and the tasks of military-political partnership in NATO. This cautious approach is considered the most acceptable at the present stage of development of the EC.

The ongoing expansion of cooperation aimed as yet mainly at a buildup of the aggregate military power of West Europe within the framework of the North Atlantic alliance is by no means contributing to a lessening of tension and a lowering of the level of confrontation on the continent. It is primarily necessary in evaluating this process to proceed not from the officially declared goals of partnership but from its actual results, regardless of whether they are achieved thanks to the coordination of the military efforts of West European states directly in NATO or outside of this bloc, in "autonomous" centers. At the same time, on the other hand, it cannot be denied that a most important stimulus for the development of the military-political relations of the West European states is the aspiration to consolidate their positions in respect of the United States and safeguard their own interests.

#### FOOTNOTES

1. See J. Stewart, "Conventional Defense Improvements: Where is Alliance Going?" (NATO REVIEW No 2, 1985, p 2).
2. NATO REVIEW No 5, 1981, p 14.
3. DEFENSE NATIONALE, May 1983, p 20.

4. The European Space Agency was formed in 1975. It includes (as of 1986) France, the FRG, Great Britain, Italy, Belgium, the Netherlands, Denmark and Spain (EC members) and also Switzerland, Sweden, Austria and Norway.
5. See T. Taylor, "European Defence Cooperation," London, 1984, p 21.
6. The Independent European Programme Group was set up in 1976 in a composition of the members of the NATO Eurogroup and France.

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## U.S. PROBLEMS DUE TO INTERNATIONAL ECONOMIC INTEGRATION

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[Article by S. Medvedkov: "Interdependence--Contradictory Consequences for the U.S. Economy"]

[Text] The internationalization of economic life in the modern world is being expressed increasingly in the growing trend toward states' economic interdependence. Under capitalist conditions this objective process is developing against the background of an unprecedented interweaving and mutual intensification of its contradictions. As the CPSU Central Committee Political Report to the 27th party congress observed, "the considerable complication of the conditions of capitalist reproduction, the diversity of crisis processes and the exacerbation of international competition have lent imperialist rivalry particular seriousness and persistence." The international capitalist division of labor is both the material basis of interdependence, which is increasingly subordinating the course of development of the national economies to the influence of external factors, and a sphere of confrontation of the imperialist countries, which are attempting to use its benefits to strengthen their positions in the economic and S&T rivalry.

In the 1980's American imperialism has attempted to transfer the growing economic interdependence in the world to relations of the one-sided dependence of other countries on the United States. "The policy of hegemonism, diktat, imposition of unequal relations with other states, support for repressive antipopular regimes and discrimination against countries which do not please the United States which it is pursuing," the CPSU Program emphasizes, "is disorganizing interstate economic and political relations and impeding their normal development." The means of pressure are essentially all kinds of foreign economic relations, and not only in the form of the export from the United States of direct investments and loan capital, technology and commodities but also imports thereof expanding for foreign countries access to the capacious American market and increasing the possibilities of the profitable investment of capital.

The consequences of economic interdependence are being manifested not only in the sphere of international relations. World-economic relations are regarded by the ruling circles and monopoly capital of the United States as a most

important means of the "recovery" of the American economy and the restoration on this basis of lost positions in the world. "Participation in the world economy," a report of the Commission for the Competitiveness of U.S. Industry set up by President R. Reagan observes, "is no longer a secondary concern of our intrinsic economic development but a question of survival" (1). An analysis of the scale, forms and consequences of the United States' interaction with the world-economic sphere and the role of external factors for this country's economy is an urgent task of study of the new trends and contradictions characteristic of present-day American capitalism and the methods by which the state and the monopolies of the United States are attempting to overcome the difficulties of the development of its economy.

## I

The involvement of the U.S. economy in world-economic relations is not a phenomenon just of today. This lengthy, uneven process began in the last century, in the period of the formation of the world capitalist economy.

The very formation of capitalism in the United States was based on the active use of foreign economic relations, mainly via imports of commodities and capital from other countries. For example, back in the mid-19th century the proportion of imports in the domestic consumption of manufacturing industry products constituted more than one-tenth, whereas exports, only 1-2 percent of industrial production. On the frontier of the 1870's the accumulated amount of capital imported into the United States (mainly in loan form) was 20 times greater than American capital invested overseas and amounted to over \$1.5 billion (with a national wealth equivalent to \$30 billion). An essential role for the development of the United States' productive forces in this period was performed by the immigration of manpower providing for one-third to two-thirds of the increase in the gainfully employed population. Subsequently also the resources of other countries remained a most important factor of the growth of the American economy.

Meanwhile the particularly intensive expansion of the role of foreign economic exchange has been characteristic of the development of the U.S. economy in the final quarter of the 20th century. The growth of the foreign trade in goods and services and the intensification of the international movement of capital given a pronounced increase in the role of import transactions led to the emergence of a number of qualitatively new phenomena and contradictions in the American economy itself. They may be seen as indications of the transition of the American economy from a predominantly autonomous to an interdependent, "open" type of capitalist reproduction, which is characterized by a high level of the internationalization of production and capital and, as a consequence of this, the involvement of the national economy in world-economic processes and its increased receptivity to the impact of outside factors.

The change in the role of international exchange for the U.S. economy has been expressed in an appreciable increase in the past 15 years in the import and export quotas in the country's national product. From the 1950's through the start of the 1970's the ratio of the exports (imports) of goods and services (2) to the U.S. GNP fluctuated within the limits of 4-7 percent, and in summary terms international transactions constituted 10-12 percent of GNP.



Subsequently these indicators have almost doubled, reaching in the 1980's 10-13 percent of GNP; in toto, on the other hand, exports and imports of goods and services in the current decade have been at the 20 percent of GNP level. The involvement of the U.S. economy in world-economic exchange has since the latter half of the 1970's has been the highest in the almost 100-year history of the development of American capitalism in its highest, monopoly, phase.

A no less characteristic feature of recent years has been the particularly active involvement of the economic resources of other countries in the United States' economic turnover, given a slower increase in the export of its own resources overseas. For 3 decades following WWII the balance of the United States' international exchange of goods and services (in current prices) was invariably in surplus and constituted approximately 1 percent of GNP. In 1977 and 1978 it was on the verge of turning into a liability, and, following a brief improvement (1979-1982), became a deficit balance. In 1983 the excess of imports over exports amounted to 0.2 percent of GNP, in 1984, 1.6, and in 1985, 2 percent. The surplus in the foreign trade in goods which had been observed from the end of the 19th century through 1970 was replaced by a stable deficit (1973 and 1975 constituting exceptions), which in 1986 amounted to \$170 billion or approximately one-tenth of the summary value of the goods produced in the United States. In 1985 (for the first time since 1914) a deficit balance of international investments was recorded--the result of an intensive influx of foreign capital into the United States at the same time as a slowing of the export of American capital in the first half of the 1980's.

The internationalization of the United States' economic life has been an uneven process not only in "time" but also in "space". While having encompassed essentially all spheres of the country's economy, it is nonetheless creating a high ambiguous degree of their dependence on world-economic relations. These differences are determined both by the specifics of this type of economic activity or the other (spheres of material production on the one hand, for example, services on the other) and the dissimilar levels of their competitiveness on world markets and sectoral differences in the concentration of production and capital.

For sectors of material production the growth of involvement in world-economic relations has been expressed in a pronounced increase in the proportion of foreign trade exchange in the production and consumption of commodities. Whereas in the first half of the 1970's the sum total of exports and imports constituted no more than one-fourth of the production of commodities in the United States, in the 1980's this proportion has been in excess of one-third. By the middle of the current decade almost 70 percent of the list of products manufactured by American industry was competing with foreign products. In the first half of the 1980's there was a particularly noticeable increase in the import quota on the home market of industrial products: from 14-15 percent (1980-1981) to 21 percent (1985). In terms of its relative size it was practically comparable with the United States' share of world industrial production, which, obviously, should also be taken into consideration when evaluating the contemporary role of the United States in world-economic processes.

A sector of manufacturing industry particularly closely connected with the overseas market has taken shape in the American economy: 7 of the 21 branches distinguished by U.S. statistics cater for almost three-fourths of total exports of industrial commodities, while 8 branches account for one-half of imports. Among the biggest branches of manufacturing industry are the four--transport, general engineering, chemical and electronics and electrical engineering--most involved in foreign trade exchange. It is for them that changes in the conditions of international exchange and conditions on world markets have the most profound consequences. Their foreign trade relations determine the current dynamics of the development of all of manufacturing industry. The nonconcurrence of sectoral structures of production and foreign trade is becoming a most important factor of the asymmetrical, sometimes varidirectional, impact of world-economic relations on the general proportions and rate of development of individual sectors of U.S. industry, in this case, manufacturing.

For the United States' energy-raw material sector dependence on supplies from overseas has been high for more than one decade. In the first half of the 1980's approximately one-sixth of all energy consumed on average was provided for thanks to imports of energy carriers, primarily oil. At the same time, however, dependence of the production of energy carriers on export supplies was three times less. The relatively high role of foreign sources in the country's energy balance shows that American capitalism has by no means abandoned the use of others' resources. At the same time the degree of vulnerability of the U.S. economy to the impact of outside factors like the "oil shock" of the mid-1970's has diminished considerably. This was made possible with the help also of diversification of the sources of oil supply, by way of the creation of a national strategic reserve capable of amortizing breakdowns in supply and economic and military-political means of undermining the unity of the developing countries. Such a strategy is being employed by imperialism in respect of three-fourths of the list of strategically important raw material commodities, the need for which is satisfied thanks to imports to the extent of more than 50 percent.

The dependence on the foreign market of the farming sector is of a different nature and depth. In the first half of the 1980's one-fourth-one-third of the country's farming product (primarily grain) was exported, while one-ninth of domestic requirements were catered for thanks to imports (the United States is not only the biggest supplier of farm products to the world market but is also in second place in terms of imports thereof). In the estimation of American economists, supplies to overseas markets of the main export crops (grain, oil-yielding crops, cotton) will continue to be essentially the sole potential for an expansion of national production, and its dependence on overseas sales markets could by the start of the next century have grown by a factor of 1.4-1.5.

Increasingly great significance for the American economy is attached to the service sphere, in which more than two-thirds of GNP and one-half of national income of the country are produced. The role of overseas markets for it is negligible as a whole--they account for 3-4 percent of the national income produced by the service sphere, which is the equivalent of approximately one-fifth-one-fourth of the gross income from commodity exports. Yet individual

sectors thereof are quite closely connected with international activity. Thus the United States' net income from the trade in patents and licenses (mainly thanks to the transfer of technology to overseas branches of the United States' TNC) constituted in 1984 some 8 percent of American industry's total spending on R&D. In the period 1978-1983 net exports of management and consultancy services increased annually approximately 20 percent. In 1985 American corporations engaged in this sphere had approximately 700 overseas offices in more than 100 countries. Business circles and the U.S. Administration link with an expansion of the export of services hopes for the increased foreign economic expansion of American capital.

The internationalization of the finance sector is proceeding intensively. Thus whereas in 1960 the overseas dollar deposits of American banks amounted to only 10 percent of those invested in the United States, in 1980 they amounted to 65 percent. Subsequently the more dynamic growth of the demand for capital in the United States itself reduced the export thereof somewhat. In 1985 the proportion of overseas bank assets in the sum total of bank assets had diminished to 23 percent compared with 29 percent in 1982. The foreign relations of the finance sector have expanded both thanks to foreign banks' active penetration of the U.S. economy and to the transfer of capital by the transnational monopolies and also the government to the United States from overseas.

In recent years imports of capital have constituted approximately 15 percent of private investments in the American economy. "During the present economic upturn," President R. Reagan's economic report to the Congress in 1986 observed, "the possibilities of profitable investment in the United States have attracted foreign capital, helping finance the rapid growth of capital investments. The influx of foreign capital testifies to a strong U.S. economy" (3).

However, rather the reverse is true. Under the conditions of the huge budget deficit, which has brought about a more than doubling of the federal debt in the last 5 years (4), and also the overstated interest rates the domestic resources of financing of the United States would not be in a position to cater for the needs of the American economy. The influx of capital has made it possible for a time to resuscitate investment activity, but at a price of the United States becoming a debtor-country. The close interrelationship of the United States' finance sector and the world capital market, which has become particularly apparent in the 1980's, is being used increasingly openly by American imperialism to overcome the acute crisis processes in its own economy.

The internationalization of the United States' economic life is organically connected with the strengthening of transnational monopoly capital, which, as the CPSU Central Committee Political Report to the 27th party congress observed, "is crushing and monopolizing whole sectors or spheres both on the scale of individual countries and the world economy as a whole." It was precisely the growth on an international basis of the monopoly ownership of the TNC, primarily their American nucleus, which brought about initially the maturation and now the domination in the world capitalist economy of a



particular kind of interdependence based on international intra- and intermonopoly economic relations.

First, the growth of the TNC led to the formation of a "second economy" of the United States overseas controlled by American capital and comparable in size to the national economy (primarily in terms of the industrial and banking sectors) of the United States itself. Interaction between these two economic spheres is realized via the close joint-labor relations of the TNC enterprises and the intensive intrafirm movement of capital and goods, technology and services. Proceeds from direct foreign investments alone ensure approximately one-fourth of American imperialism's total income from capital exported overseas, annually increasing the profits of the mother firms by one-third and more, and of the entire corporate sector in the United States, by 15-20 percent.

Second, the network of commercial, banking and, in recent years, industrial branches of foreign concerns has been growing in the United States itself. From the mid-1970's through the mid-1980's foreign direct investments in the United States grew more than fivefold (for U.S. TNC overseas, less than twofold). In the period 1977-1981 altogether foreign affiliates' share of the stock of the United States' mining industry rose from 9 to 15 percent, of manufacturing industry, from 6 to 12, and of wholesale trade, from 17 to 28 percent. The formation of a new node of interdependence and interimperialist contradictions between the United States and other imperialist countries is under way, on the basis now not only of the export but also imports of TNC entrepreneurial capital.

Third, the mutual penetration of the capital of the biggest TNC of the United States and other imperialist countries and the development between them of increasingly close joint-labor relations are intensifying the process of the internationalization of the American economy. This trend shows through very clearly in the world auto industry, in which Peugeot and Ford Motors, General Motors and Toyota, Renault, Ford and Fiat and Volkswagen and Chrysler are linked via joint (in terms of capital) or joint-labor production. The intermonopoly relations of American and foreign TNC are expanding in electrical engineering and electronics, chemical industry and the production of various types of military equipment.

The very mechanism of monopoly competition is being rearranged to a certain extent: the struggle on world markets is now "coexisting" with joint-labor relations between the rivals themselves, demanding the coordination of their production and market policy. In recent years there has also been a pronounced intensification of "vertical" international economic relations--between the biggest corporations and companies of the nonmonopoly sector operating in the high-science, promising sectors. And such ties are being established not only by American monopolies, what is more, but increasingly by foreign, primarily Japanese, concerns with companies in the United States. In Japan, for example, American monopolies have created many joint firms with small local companies with promising innovations in the electronics sphere. More than 250 biotechnology firms are operating currently in the United States itself, and no less than 40 of them have close relations with large overseas companies, including 20 with Japanese.



The development of world-economic relations in the U.S. economy is proceeding at an accelerated pace, extending to increasingly new spheres of the activity of American capital, involving in world-economic turnover an increasingly large quantity of goods, capital, knowhow and services and erasing the differences between national and foreign spheres of capitalist exploitation. The international division of labor under capitalist conditions is not only expanding the possibilities of the self-growth of capital and imparting an impetus to the development of the productive forces so necessary for capitalist society but also inevitably creating distortions in the distribution of its benefits between capital and labor and between strong and weak countries.

## II

The internationalization of economic life has not spared modern capitalism an exacerbation of the contradictions inherent in this system. As the CPSU Program observes, "the intrinsic instability of the economy is increasing, which is expressed in a slowing of the overall rate of its growth and an interweaving and intensification of cyclical and structural crises. Mass unemployment and inflation have become a chronic ailment, and the budget deficits and the national debt are assuming colossal proportions." American imperialism is attempting increasingly actively to "rectify" these defects of state-monopoly management thanks to the use of international economic relations, primarily by way of the involvement of the resources of other countries in the national reproduction of the United States. New forms of the interaction of domestic and external factors determining the course of the development of the American economy and the seriousness and scale of the contradictions arising therein are taking shape.

The increased receptivity of the U.S. economy to changes in world-economic relations is being reflected increasingly noticeably in the course of cyclical development. There has been a change in the "behavior" of such a component of the balance sheet of international transactions as the balance of exports and imports of goods and services at the time of cyclical upturns and recessions in business activity within the country. Thus in the last quarter century the balance sheet of international transactions changed unequivocally at the time of crisis recessions--1960, 1969-1970, 1973-1975 and in 1980 (the first of the two phases of the 1980-1982 crisis): its surplus grew. This was achieved mainly thanks to an improvement in the United States' balance of trade. The preferential growth of the export of commodities compared with imports occurred thanks to a scaling down of domestic demand and companies' aspiration to amortize the decline in business activity within the country by export expansion.

Yet the stabilizing role of international transactions in the crisis periods weakened increasingly. Thus in 1960 the average quarterly decline in GNP compared with gross domestic purchases was thanks to international transactions 29 percent less, in 1969-1970, 22 percent, in 1973-1975, 15, and in 1980, 8 percent less, and the average quarterly rate of decline in GNP in the said periods amounted to 0.39, 0.48, 0.95 and 1.04 percent respectively (5).

During the "second wave" of the 1980-1982 crisis--for the first time in a period of more than 20 years--the foreign trade balance brought about not an easing but an intensification of the recession in the production of goods and services; the greater decline in exports thereof than in imports led to a point where for the first time the decline in gross domestic purchases proved less than the U.S. GNP.

The appreciable growth of the role of passive (import) components in international transactions has proven characteristic not only of the 1980-1982 crisis but also of the cyclical upturn which followed it. In the 1950's-1970's international transactions kept the increase in GNP to approximately 0.1 percentage points annually on average. In 1983-1984 the negative "contribution" amounted to 1.3 percentage points. Correspondingly, gross domestic purchases of goods and services exceeded their production by the same magnitude.

A principal reason for this is the increased interconnection (albeit not always synchronization) of cyclical changes in the United States and other capitalist countries. Nor can we underestimate the increased role of the TNC reacting to conditions on the U.S. domestic market not so much by way of the manipulation of the foreign trade transactions of American enterprises as by expanding or winding down production within the framework of the entire network under their jurisdiction linked with one another on a joint-labor basis and oriented as a whole toward the world market. And, undoubtedly, the unusual growth of the liability of international transactions in the 1980's--periods of both crisis and economic upturn--has been the result of the interaction of domestic and external factors, primarily the growth of the U.S. budget deficit and the increase in interest rates and the dollar exchange rate.

Yet whereas in the crisis period the rapidly growing negative balance of international transactions (mainly owing to foreign trade) contributed to an intensification thereof, subsequently it stimulated economic growth to a greater extent than it held it back. "The advantages of mass and cheap imports," the Soviet economist N. Shmelev rightly observed, "are as a whole, evidently, still outweighing for the United States the costs connected with the sharply increased exchange rate of the dollar in the 1980's and, correspondingly, the deterioration in the competitive positions of a considerable portion of American exports" (6). According to certain Western estimates, a 10-percent rise in the dollar's exchange rate leads to a reduction in prices in the United States in 2-3 years of approximately 1.5 percent. The stimulating effect of cheap imports is proving particularly pronounced for the consuming sectors, bringing about increased demand for their products and a reduction in production costs. However, a partly similar effect also emerges in the industries which experience import competition and are forced to lower their own costs by way of a retooling of production and its automation. True, a considerable number of the United States' TNC have deemed it more profitable to export operations to overseas affiliates and supply the American market from there.

The deflationary effect of imports has also been expressed in the fact that from 1982 through 1986 the price index in the United States grew altogether by 15, but of gross domestic purchases, by 13.7 percent, mainly owing to a reduction in the index of the price of imported goods and services of 9 percentage points. An increase in import prices of industrial products has not been observed since mid-1981, whereas among national producers it has grown 3-4 percent annually. If it is considered that in recent years imports have accounted for approximately 20 percent of the American market of industrial products, it is obvious that the "successes" of the Reagan administration in lowering inflation and reviving business activity in the country have been brought about to a considerable extent by outside factors working (not without the participation of the government and monopolies of the United States) to the benefit of American capitalism.

However, the breathing space gained thanks to the resources of other countries cannot last forever. The decline in the dollar's exchange rate as of 1985 of more than one-third is already forcing overseas suppliers to raise their prices, although is not yet leading to a pronounced diminution in their supplies to the American market. Signs of a decline in imports of capital also, owing to the reduction in interest rates in the United States and the increased demand for capital in other Western countries included, have appeared. The mechanism of pumping financial resources from the debt-burdened developing countries, which have increasingly begun to resort to a limitation or suspension of the payment thereof, is malfunctioning. The anti-inflation effect of the fall in oil prices has virtually exhausted itself. Smoothing over the seriousness of the severe consequences for the economy which are being created by the deficit financing of the arms race thanks to foreign sources is becoming increasingly difficult. A prospect of inflationary growth and stagflation in the economy, which had been forgotten for a while, are beginning once again to appear to American ruling circles.

### III

The increased involvement of the United States in international economic exchange has exerted an influence on the course of the structural rebuilding of the American economy. The international capitalist division of labor and appreciable differences in the depth, nature and focus of foreign economic relations have placed individual sectors of the U.S. national economy and the firms functioning therein in dissimilar reproduction conditions. In the nationally exclusive sectors (whose distinguishing features are undeveloped foreign trade relations and the lax activity of the TNC) economic activity depends decisively on changes in supply and demand of related national industries supplying raw material and consuming their products respectively. Added to these parameters for the sectors involved in world-economic exchange are export-import supplies of the commodities they produce and consume and also the international, but intrasectoral transfer of capital and technology. As a result their place in the national economy (share of the gross product, for example) could change irrespective even of the national economic requirements taking shape.

The structural changes in the United States' material production in the 1970's-1980's have been expressed in the preferential growth of the high-



science sectors and a slide into a protracted depression of the traditional sectors. To determine the role of international trade in this process we shall distinguish nine sectors in each of these two groups (7) and compare the dynamics of their production and the change in the scale of export-import transactions in the period 1972-1983.

Calculations show that among the high-science sectors the export quota in production grew from 13.4 to 18.2 percent (a factor of 1.36), among the traditional sectors, from 2.5 to 3.1 percent (a factor of 1.24). The reverse picture took shape in respect of imports--their share of the consumption of high-science products was at the start of the 1970's and a decade later lower by a factor of 1.9 and 1.5 respectively than in the traditional sectors. However, the increase in imports here exceeded in terms of rate the increase in production in the first group of sectors by a factor of 2.3, and in the second, by a factor of 1.8. Consequently, the more intensive involvement in international exchange of the high-technology sectors is taking place.

The preferential growth of the high-science sectors compared with the traditional sectors brought about a change in the correlation of these two groups in terms of the volume of shipments in 1972 [as published]. It constituted 1:2.3, but in 1983, 1:1, and in terms of employment, 1:2 and 1:1.1 respectively. The growth of the first group by 22 percent here was secured thanks to the expansion of exports, and the 13.6-percent increase in domestic demand was catered for by an increase in imports. In respect of the traditional sectors the picture was different--the negligible increase in exports had practically no influence on the dynamics of shipments. However, the growth of imports in the period 1972-1983 here more than covered the negligible growth of domestic demand (3.8 percent), bringing about, in addition to this, a reduction in production of this group of sectors of a further 2.5 percent. As a whole, the involvement of American industry in international trade relations catered to the extent of almost one-fifth for the change in proportions between the high-technology and traditional sectors in favor of the first.

Thus at the new stage of S&T progress the international division of labor is performing the role of catalyst of the restructuring of industrial production. Meanwhile the intensification of structural changes under capitalist conditions is occurring in parallel with an exacerbation of socioeconomic contradictions, primarily owing to an increase both in general and, particularly, structural unemployment in the traditional sectors. The changes in the structure of the economy are recarving the proportions of distribution of the national income in favor of monopoly capital to the detriment of the working class. The growth of the United States' involvement in international economic exchange, including the increase in the foreign trade deficit, is intensifying and not easing these contradictions.

Primarily, the intensification of structural changes thanks to foreign trade is altering the proportions of the distribution of persons employed between the high-technology and traditional sectors in favor of the first, but is not being accompanied by an increase in the overall numbers of jobs. Thus in the 18 sectors in question the proportion of persons employed in the high-technology industries rose from 33.3 percent in 1972 to 46.8 percent in 1983.



However, the decline in employment in the traditional sectors was the same. As far as the role of foreign trade transactions is concerned, the net effect thereof for the first group of sectors was expressed in an increase in the number of jobs of 5 percent (11.5 percent of the overall size of the increase), but for the second, in a reduction of 4 percent (22.5 percent of its reduction in this group). As we can see, over one-fifth of the jobs lost in the traditional industries was the result of import products' penetration of the American market.

Meanwhile the changes in the structure of employment brought about by foreign trade activity are not confined merely to the framework of the exporting or importing sectors. The effect of foreign trade is extending via intersectoral relations to the spheres of the production of goods and services related to them. Thus in 1980 of the total numbers of jobs connected with exports of products of the United States' manufacturing industry, employment in this sphere of the economy accounted for only 58 percent of them, whereas service sectors accounted for 37 percent and the raw material sectors for 5 percent (in terms of the entire commodity exports of the United States the corresponding proportions constitute 49, 37 and 14 percent) (8). The stagnation of U.S. exports in the 1980's is consequently being reflected negatively (albeit not to an equal extent) in employment in the economy as a whole, and not only in the sectors which are losing positions on the world market. At the same time, however, the preferential growth of imports is mainly "washing out" jobs precisely in the sphere of material-physical production, but practically not affecting the service sphere (transport, finance, trade), which is switching from the servicing of national enterprises to import transactions.

For this reason the growing U.S. foreign trade deficit should be seen as an additional factor of the changes in the structure of employment in favor the service sphere. As a whole, however, the consequences of the increased foreign trade deficit were expressed in a reduction in the number of jobs from 1980 through 1985 of more than 2 million (up to 3 million according to some American estimates).

Something else is of importance also. The changes in the United States' foreign trade relations in the 1970's and, particularly, the 1980's have been reflected inauspiciously in workers' pay. This is attested by our calculations in respect of two groups of sectors--with higher (8 sectors) and less higher (11 sectors) levels of the nominal wage compared with the industrial average as a whole in 1974-1982. The results testify to a shift of the zone of intensive production for the foreign market from the first group to the second. The export orientation (the proportion of exports in production) grew more slowly in the sectors where the wage level was higher than the average. In addition, import dependence also increased more rapidly in sectors with a high wage, causing a redistribution of the numbers of jobs in favor of the lower paying. Imports "dislodged" the rate of increase in wages in the first group, where the former had prior to this been higher as a whole than in the "low-paying" sectors. As a result both the level and dynamics of the pay of the American working class have begun to change in the 1980's manifestly not to its advantage.

The reasons for this situation should be sought not so much in the mechanism of world-economic relations itself as in the use of the "import factor" by American capitalism, the bourgeois state and all rightwing conservative forces for pressure on the working class (the real wages of American workers from precrisis 1979 through 1985 declined in manufacturing industry 13 percent). The policy of transnational monopoly capital, now no longer just American but West European and Japanese also, entering the U.S. economy, is leading to an exacerbation of socioeconomic problems. The American TNC have found themselves directly involved in the "import boom" of the 1980's, actively transferring labor- and resource-intensive industries to the developing countries or concluding agreements with foreign independent competitor firms on supplies of products to the United States and their sale via the former's own marketing network. Such a policy, for example, is being pursued by General Motors, Ford Motor and electronics and garment industry corporations.

It might have been expected that a concentrated influx of foreign entrepreneurial capital into the American economy would have operated as a counterweight to the jobs drain. Indeed, the increase in direct investments by foreign TNC in the latter half of the 1970's and in the 1980's noticeably increased the proportion of those working at the American affiliates in the total numbers of persons employed in the United States. In the period 1977-1981 alone it increased in mining industry from 2.1 to 3.6 percent, in manufacturing industry, from 3.6 to 6.8, and in trade, from 3.9 to 6.8 percent.

However, it should be considered that the bulk (over three-fourths in the period 1979-1985) of the resources spent on the creation in the United States of foreign affiliates is accounted for by mergers, that is, it is a question of a redistribution of private ownership between the American and foreign bourgeoisie without an appreciable increase in capital investments in production. As a result in 1984-1985 the numbers of persons employed at the merged enterprises in these years constituted 404,100 altogether, whereas at newly built enterprises, only 11,900. In addition, the foreign TNC are creating affiliates predominantly in areas with low pay levels--in New England and the southeast of the United States. The hourly wage of workers there constitutes 88 and 83 percent respectively of the average level for the country's manufacturing industry (9).

And one further fact of considerable importance. "Many foreign investors," the American economist M. Anderson of the AFL-CIO observes, "are endeavoring to imitate the worst features of American firms. Instead of following positive examples in manager-worker relations, which obviously exist in the base countries, in the United States they sometimes become fervent supporters of methods of relations designed to force the workers to waive their rights to organization" (10). Thus a rigid position has been adopted by the Japanese Kawasaki (dzyukoge) company, impeding attempts by the United Autoworkers Union to create their local at the affiliate of this TNC in Lincoln. Another Japanese monopoly, Nissan, has done the same.

The tactics of "investment maneuvering" extensively practiced by the monopolies has an antiworker focus. Threatening to set up an enterprise in another part of the country or transfer production overseas, transnational

monopoly capital is forcing the working people to renounce participation in unions and consent to "voluntary restrictions" in their pay given increased productivity.

Having joined the "struggle to attract investments" from the TNC, the local authorities have broadened considerably the granting of every conceivable benefit to them, frequently at a price of a winding down of social programs. The Reagan administration, in turn, has contributed by its anti-union policy to the increased arbitrariness of "national" and "others'" TNC in relations with the American working class. No less important is something else also. The very system of government regulation of the U.S. economy is experiencing the ever growing impact of the internationalization of production and capital and the intensifying interdependence in the capitalist economy.

#### IV

It has become obvious in the past 5-10 years that the former divide between the domestic and foreign economic spheres of the state's activity has narrowed appreciably. In the 1980's the United States' budget and credit-monetary policy have had for the country's world-economic relations, and for capitalism as a whole, greater consequences virtually than the use of levers of influence on the sphere of international exchange and currency-finance relations. The unpredictable secondary, reflected effect of the American state's control of the national economy created by the complex "transmission" mechanism of world-economic relations is becoming increasingly palpable.

This mechanism has been activated by the U.S. Administration via the deficit financing of the arms race undertaken simultaneously with tax reform. The latter has led to a progressive reduction in the federal government's tax receipts. As a result the treasury experienced in 1981-1984 a "shortfall" of approximately \$230 billion all told. The gap which had formed between the rapidly growing military spending and its coverage thanks to tax receipts gave rise to a "structural deficit" in excess, it is estimated, of one-third of the total federal budget deficit (the latter amounted to more than \$200 billion in 1986).

The nature and scale of the consequences of the deficit financing of the United States' military programs for the country's foreign economic relations may be judged, for example, by the data obtained by the American economist P. Hooper. The Reagan administration's tax and budget measures brought about just in 1983 alone an additional increase in the country's GNP of 2.2 percentage points, and a 2-point increase in interest rates. The increase of the latter, in turn, raised the dollar's exchange rate 9 percent, at the same time lowering import prices and inflation. The additional increase in GNP (and, accordingly, the expansion of domestic demand) and the increased rate of exchange led to a deterioration in the United States' foreign trade balance of more than \$20 billion, and of the balance of current transactions, of \$30 billion. In the same year the increase in the deficit balance of the United States' international payments was the equivalent of approximately one-half of the growth of the "structural deficit" of the federal budget (11).



The use of the material and financial resources of other countries enabled the U.S. Administration to ease for some time the acute-crisis national economic consequences of its tax and budget policy primordially oriented toward satisfaction of the interests of the military-industrial complex and ignoring the actual potential at the disposal of the American economy. In fact Washington's very economic policy was aimed at spurring an imports boom. Inasmuch as the high interest rates and dollar exchange rate contributed to the connection of "others'" sources with reproduction in the United States Washington did not make any pronounced efforts to lower them; in addition, to facilitate the influx of capital the 30-percent tax on the interest payable by American creditors to foreign debtors was canceled in 1984 [sentence as published].

The American Government itself began to be a major borrower on international loan capital markets, obtaining there from one-fourth to one-third of all loan capital entering the United States. In 1986 approximately one-seventh of the more than \$2 trillion of the U.S. national debt and the payments in respect thereof of the order of over \$140 billion was due foreign creditors.

A considerable portion of other countries' economic resources ends up with the U.S. military-industrial complex--and not only via financial channels. The U.S. Administration is now operating directly, enlisting the allies in the ambitious SDI program, placing in them major contracts for the supply of conventional military equipment and taking advantage of the advanced technological design of its partners from West Europe and Japan.

At the same time the United States, to judge by everything, by no means intends sharing its own advanced technology. A tightening of export controls is impeding the possibilities of the companies of other Western states not only acquiring technological innovations in the United States but also using American technology which has been authorized for export outside of their countries. Foreign affiliates of American TNC themselves have fallen under the restrictions; the management of the latter is now responsible for control over the use of "critical technology" at the disposal of overseas enterprises. The scale of the restrictions on the use of American technology in other Western countries may be judged if only by the fact that West-West contracts account for 91 percent of requests for the issuance of export licenses in the United States and one-third of American firms' expenditure connected with export control (12).

By such means the U.S. military-industrial complex is implanting in world-economic relations a new form of economic nationalism--technological protectionism--designed to limit other countries' access to the fruits of S&T progress, but at the same time not preventing American capital from making the maximum use of their resources, S&T included.

So American imperialism has succeeded as yet as a whole in subordinating world-economic relations and the relations of interdependence arising on the basis thereof to its own interests. The broadening of international economic exchange given the active enlistment in economic turnover of foreign production, financial and technological resources has spurred business activity, accelerated the structural rebuilding of industry and blunted for a



time the seriousness of the crisis in the sphere of state-monopoly regulation of the U.S. economy.

It cannot be denied that rightwing conservative circles in the business field and government office are being helped to derive economic and political dividends from the process of internationalization by a reliance on force and the use of aggressive, frankly power methods in relations with the working people within the country, and in international affairs, with the developing and, increasingly often, with the developed capitalist countries. The dependence of other capitalist countries on exports to the capacious American market, on entrepreneurial capital invested in the U.S. economy and loans issued to Americans and on American advanced technology and the dollar as the key currency on world markets is being used by U.S. ruling circles to establish their own "rules of the game" in the world capitalist economy and in the political arena to "open up" their partners' economy for the expansion of their monopolies.

At the same time many of the benefits obtained from the "open type" of reproduction at best merely temporarily take the crisis processes beyond the confines of national boundaries to the world-economic level or provide no more than a postponement of the start thereof. The crisis of the traditional sectors, the reduction in the number of jobs caused by imports, the hundreds of billions of dollars of uncovered export products arriving from other countries, the large segments of the world market lost in the 1980's, the debt obligations of the federal government and private business waiting to be paid--all these "secondary consequences" of internationalization could make themselves felt in the immediate future even, causing serious malfunctions in the U.S. economy. But under the conditions of growing interdependence they will not be localized within the boundaries of the American national economy. Many other capitalist countries also will find themselves pulled into crisis processes in this form or the other.

#### FOOTNOTES

1. "Global Competition. The New Reality," vol II, Washington, 1985, p 174.
2. U.S. statistics incorporate in the "service" category together with payments and proceeds pertaining to international insurance, patent-licensing, telephone and telegraph and tourist transactions also transfers to the United States and overseas of the profit from direct investments, reinvested profit of American and overseas affiliates of TNC, payments of interest on loans, deposits and securities, transfers of the wages of foreigners from the United States and American citizens working overseas and payments and proceeds pertaining to transactions of U.S. government institutions.
3. "Economic Report of the President," Washington, 1986, p 5.
4. From 1981 through 1986 the U.S. national debt grew from \$1 trillion to \$2.3 trillion.
5. Calculated from SURVEY OF CURRENT BUSINESS, March 1983, p 34.

6. MEMO No 4, 1986, p 49.
7. Pertaining to the high-technology sectors are the production of plastics, medicines, computers, radio and telecommunications equipment, electronic components, scientific apparatus and instrumentation, medical and photographic equipment and aerospace industry; to the traditional sectors, auto industry, steel, copper, aluminum, lead production, agricultural engineering, machine-tool building, textiles and garment industry. As a whole these 18 sectors accounted at the start of the 1970's for approximately one-third of the product, sales, employment and foreign trade of the United States' manufacturing industry.
8. "Domestic Employment Generated by U.S. Exports," Washington, 1983, p 8.
9. See SURVEY OF CURRENT BUSINESS, May 1986, pp 53, 54; NEW ENGLAND ECONOMIC REVIEW, Jan/Feb 1983, p 29.
10. INDUSTRY WEEK, 7 January 1985, p 34.
11. See BROOKINGS DISCUSSION PAPERS IN INTERNATIONAL ECONOMICS No 27, 1985, Tables 2, 5.
12. See "Global Competition. The New Reality," vol II, pp 197, 200.

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## ABALKIN ON SOCIOECONOMIC DEVELOPMENT

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 56-71

[Interview with L.I. Abalkin, corresponding member of the USSR Academy of Sciences, conducted by the Japanese journal SEKAI KEIZAI TO KOKUSAI KANKEI]

[Text] In response to the request by readers who want to see more material on topical problems of socialist economics in MEMO we are publishing an interview which L.I. Abalkin, corresponding member of the USSR Academy of Sciences, gave to Dr S. Okada, a representative of the Japanese journal SEKAI KEIZAI TO KOKUSAI KANKEI. This quarterly publication acquaints Japanese readers with many of the articles by Soviet economists and political scientists which are published in MEMO and certain other similar publications.

[Question] Our first question concerns the policy of acceleration of the USSR's socioeconomic development. Why was this adopted? What is its historical significance? What is its place in the building of socialism and communism?

[Answer] I would like to start by saying that the policy of acceleration of socioeconomic development is a strategic one. It is designed for a fairly long term and is of a program nature. This means that there is a precisely formulated final goal and that the sum of ways and means which will ensure the solution of the set task has been defined. The social motive forces which must ensure that this course is implemented have also been defined. We formulate the final goal of the strategy as being Soviet society's advance to qualitatively new frontiers in all spheres of life: economic, social, political and spiritual. These frontiers are defined in the documents of the 27th CPSU Congress.

The second point which I would like to stress is that the course of acceleration is not a purely economic one. As well as the economy, about which I shall speak a lot and in great detail later, it includes transformations in the social structure of society, the establishment of the principle of social justice and equality, the development of democratic principles in social life,

the democratization of the political system, an upsurge in cultural life and spiritual transformations.

The third point on which I would like to dwell is one of fundamental importance. It is entirely wrong to identify acceleration with economic growth rates. An increase in rates is only part, and not even the main part, of this strategy. These rates are in fact a purely quantitative index, which does not always reflect the depth of structural and qualitative transformations. This index is primarily necessary to reflect the elimination of the negative trends which were observed in our development at the end of the 1970's and the start of the 1980's. But this is not the main point.

The main point is the shift to a new quality of economic growth itself. This quality is, to be specific, connected with the intensified role of social guidelines for economic growth. This growth also looks new from the viewpoint of its sources. It is primarily growth on an intensive basis. Finally, the new quality of growth is connected with its dynamism, with qualitative transformations, with structural reorganization, with the restructuring of the technical basis of production, and with the creation of an innovative climate in the national economy. These are, in brief, the basic features of the strategy of acceleration.

[Question] At the beginning of the 1970's a definition was given of the contemporary stage in Soviet society's development--developed socialism. It seems to us that the substance of this concept has now changed somewhat. Since 1983 it has been said that the Soviet Union is at the start of the stage of developed socialism. Does this tenet hold true at the present time too?

In October 1986, at a conference of heads of social science departments in which you took part, M.S. Gorbachev, general secretary of the CPSU Central Committee, spoke not about refining developed socialism but about refining the relations of developing socialism. Does this mean that the definition of "developed socialism" has been revised?

[Answer] I would like to say that our social thinking and Marxist-Leninist thought are constantly being developed and that we have never, either in the past or in the present, been inclined to cling to tenets formulated in the past or to regard them as eternal and unchanging.

The definition of developed socialism given at the beginning of the 1970's was a step forward. It was an important advance in theoretical thought connected above all with the fact that we had amended the formula which had existed until then and which had, to be specific, stated that we were at the stage of the developed construction of communism. This was a major step in the direction of a realistic assessment of the existing situation.

At the same time academic literature and propaganda began to use the concept of developed socialism to describe our achievements, as if the issues arising at the stage of socialism had already been resolved. In other words, the term began to be used not in its original sense but was linked to the ideas about the processes having finished. This hindered the exposure of lags in a range of spheres about which we now speak openly, for instance in agriculture, in



everyday services and in the solution of a number of problems of social development. It was thus recognized as expedient to define this concept more precisely and to stress that we are only at the start of the stage of developed socialism and that this is a long stage.

From a scientific viewpoint this understanding of developed socialism and its initial stage is, in my view, completely legitimate. Why legitimate? The socialism which exists in our country differs in essence, quality and principle from the socialism which was built in the 1930's. It is a different socialism, which is more developed than that which we originally built. We are undoubtedly at a new stage in the development of socialism, but this is only its start. In order to make socialism fully developed it is necessary to overcome the lags mentioned above. This will require time and great efforts.

At the same time we consider it more correct to use other concepts in practical work, propaganda and politics. It is necessary to translate general, largely academic formulas into the language of real politics and to link them to the real tasks which society and labor collectives have to solve. These tasks arise from the course of accelerating socioeconomic development. For this reason at the practical level we are making increasingly wide use of the concept of "the stage of acceleration" or "the period of accelerating socioeconomic development". It is precisely the practical aspect which determines the formula and concepts which are widely used in literature.

[Question] Many progressive working people in Japan are asking themselves the following question. The establishment of social ownership of the means of production must mean that production relations have been created which correspond to the high level of development of the productive forces. But if this is so, why have contradictions now arisen between productive forces and production relations? And does this mean that it is only possible to overcome these contradictions by establishing communist production relations? In your book you write that the substance of ownership (appropriation by all the people) and the economic realization of ownership coincide. Should this be understood as meaning that genuine socialist ownership in the broad sense, including the forms of its economic realization, has not yet matured?

[Answer] Your question touches on profound theoretical problems. For this reason in order to answer it I too have to make use of theoretical concepts rather than concrete examples. First of all, the idea of a lack of contradictions between productive forces and production relations is not a Marxist one at all. The whole of Marxist dialectics is based on a recognition that contradictions are the most important source of development. Where there are no contradictions, there is no development. In his day Hegel used a very successful image: a body devoid of contradictions is a corpse, a dead body. A living body always contains contradictions as the most important source of movement. Simplified, vulgarized, largely metaphysical ideas about the lack of contradictions have been current in our literature, and this has of course hindered the resolution of practical issues.

Let us now deal with the positive solution of the problem which has been posed. This solution is connected with the fact that Marxist theory clearly defines the need for a correspondence between the nature and level of

productive forces on the one hand and production relations on the other. We single out two elements in productive forces: the nature of productive forces and their level of development. When we speak about the basic contradiction of capitalism, we have in mind the fact that private ownership contradicts the social nature of productive forces. The establishment of social ownership in the course of a revolution resolves this contradiction and brings production relations into line with the nature of productive forces. The social nature of appropriation or ownership corresponds to the social nature of productive forces. But there remains the problem of the correspondence of production relations to the level of productive forces.

The concept of level is a mobile, changing one. It is constantly rising, whereas the forms of production relations, including the organization of management, the system of prices, the remuneration of labor, economic accountability, that is, all that is conventionally known as the concrete forms of production relations, can be and frequently are conserved and become paralyzed. At this point productive forces move ahead while the forms of production relations begin to fall behind them and become alienated from them and become a brake on their development. Under socialism a contradiction between the constantly rising level of productive forces on the one hand and the concrete forms of production relations on the other exists, reproduces itself and must be constantly resolved.

A very precise answer to this question was given at the 27th party congress. Socialist production relations create the conditions and preconditions for the rapid and steady development of productive forces, but under one indispensable condition--that these relations be constantly refined. If, however, this condition is violated and there is no improvement in production relations, then these lose their role and can become a brake on technical progress, on the rise in production efficiency and on the solution of social tasks. For this reason the refinement of production relations applies not to a change in the type of ownership, not to the replacement of socialist ownership by communist ownership, but to those aspects of production relations which, as a rule, form the substance of society's economic mechanism. These aspects include the concrete forms of planning, management and economic accountability, the price system, the remuneration of labor, the distribution of profit, finance and credit.

At the same time this side of production relations, which is now being dynamically improved, also acts as a form of realization of the relations of ownership. These are thus forms within production relations, and they ensure not only the rapid development of productive forces but also the full, successful realization of socialist ownership, that is, the manifestation of its potential and advantages. We are maintaining and doing everything to strengthen socialist ownership. This is our principled political and theoretical standpoint. But we will refine--and radically--the production relations of socialism and we will destroy and discard obsolete forms of these relations which might hinder forward movement.

[Question] Our next question is about the restructuring of the economic mechanism in the USSR. It is now said that the reason for the stagnant phenomena in the economy during the 1970's and at the beginning of the 1980's

was tardiness in forming an economic management mechanism which would meet the needs of shifting the economy to an intensive type of growth. But this same question was to some extent posed during the 1965 economic reform. The tasks of increasing the role of profit, introducing a wholesale trade in the means of production and introducing economic accountability were set at that time too. Why was this not carried out? More than 20 years have passed since 1965. Why has such a lengthy period been necessary? Were there some insurmountable obstacles which prevented the economic reform from being implemented?

[Answer] I want to start with a more accurate definition. The 20 years you mention cannot be mechanically grouped together, and the processes which went on in these years cannot be considered as having been the same all the time. Take the period from 1965 to about 1975: that decade was marked by very rapid development of the Soviet economy. The period from 1966 to 1970 was the best in the last quarter century of our development. High growth rates in labor productivity, the population's real income and the national income also characterized the first half of the 1970's. This means that the measures implemented during this period produced positive results, and we do not consider that all 20 years were years of stagnation, marking time or falling behind.

Negative phenomena began to appear in the second half of the 1970's. They were most acutely apparent from 1977 to 1982. This happened for two reasons. The first is connected with the fact that the management must be refined uninterruptedly. Not sporadically, once every 20 years, but uninterruptedly. If this condition is broken, negative phenomena will arise. Meanwhile we had the idea that since we had taken one major step, we could rest content with that. In actual fact the situation altered substantially at the end of the 1970's. Many of the factors of extensive development which had still been in operation in 1965 lost their significance. At that time, for example, petroleum and gas extraction was rising at rapid rates, which was no longer the case by the end of the 1970's. In was in precisely that period, from 1965 to about 1975, that we overtook the United States in petroleum and coal extraction, in steel smelting and in the production of mineral fertilizers and cement. That was success. At the same time a qualitatively new situation was created. It was one thing when we were lagging behind, and quite another matter when we overtook the United States. The old solutions had produced their results and exhausted the possibilities. New solutions were called for. But they were not adopted. It is precisely here that the main reason for the negative phenomena lies.

The second reason is connected with the general situation which had formed in the country. An assessment of this situation was given at the 27th party congress, which stated that we had spoken many good and correct words, that we had often made quite good decisions but that we had not backed these up with practical organizational work. A disparity between words and deeds arose. This was a general political situation which was openly and honestly assessed at the congress. It was this situation which determined the fact that the economic management mechanism was not restructured in reality.

[Question] Now permit me to move over to the concrete issues of restructuring the economic mechanism. What is the essence of the mechanism which was tested



in the course of the large-scale economic experiment and which is to spread to the whole of industry in 1987? What are its results? What is the fundamental difference between the new management methods and the ones which were used before the experiment?

The experiment at the Sumy Scientific and Production Association at the Volga Automobile Plant has attracted much attention. What is the essence of the self-financing system which has been adopted there? Will this system be extended to the whole of industry and to other spheres of the economy?

[Answer] The experiment begun in 1984 really has produced positive results, and in 1987 the whole of industry will transfer to the new economic management methods. What is the essence of the new mechanism? When we talk about restructuring, moreover, about radically restructuring the economic mechanism, we mean the system as a whole: planning, economic accountability, prices, credit, wholesale trade in the means of production, activation of the role of the labor collectives and much, much more.

The experiment touched on only one very important part of this mechanism--the conditions of operation of enterprises and associations as the primary links in the national economy. It did not touch on prices, finance or the activity of higher management organs, including branch ministries. It was of local significance, and its point was to substantially expand the rights of enterprises and associations, to give them an opportunity to resolve many issues independently and simultaneously to increase their economic answerability for product quality, technical standards, labor productivity and above all for timely fulfillment of their commitments to deliver products to the consumer.

Details of the experiment are being defined more precisely with regard to the individual branches, but in principle there is no difference between what is going to operate in 1987 and what was originally put into practice in 1984. It is a unified approach to defining the conditions of enterprises' activity. At the same time by expanding, that is, by gradually transferring enterprises in all branches of industry to these new conditions, we have begun the second stage, a stage of more radical solutions at which there is a fundamental change not only in the conditions of operation of the enterprises themselves but also in their interrelationship with the state budget and higher organs.

What is involved is the principle of full economic accountability and self-financing. The idea is that a collective's whole production and social activity must be financed entirely through their own income, which includes the enterprise's profit, amortization deductions which go toward the modernization and technical reequipment of production and, if necessary, credit. Part of the profit is assigned to the state budget to implement statewide tasks--social tasks, tasks in the sphere of new construction, of ensuring the country's defense capability and so on. The assignments take place according to the stable economic norms calculated for a 5-year period.

The experiment has produced good results, and since the beginning of 1987 the enterprises of five industrial ministries, as well as several dozen enterprises and associations of other ministries, have been transferred to the



self-financing system. Will this system be a general one? Time will tell. If it were possible to say that it will be general, there would be no need to conduct the experiment. We want to be more precise, to verify. The Sumy association and the Volga Automobile Plant are large and fairly profitable associations with an independent technical and scientific base. But the big question is that of how this same system will behave in small enterprises with a low profit rate and without a scientific-technological basis of their own. Can all enterprises, irrespective of their technological basis, conditions, size and the specific nature of their branch, transfer to a unified system? Or will different versions of the solution to the problem be required? The experiment must provide the answer to such questions. That is its point.

The next stage will be connected with the shift from local changes, that is, changes in the activity of the primary link, to a comprehensive reform of the economic mechanism. We call this the introduction of an integrated system of management. Integrated means presupposing the restructuring of all sectors including the financial and credit sphere, planning methods, interrelationships with higher organs and the organization of wholesale trade. The next step will not even be possible without a comprehensive solution to the problem.

Such comprehensive changes will evidently be prepared over the next 3 to 4 years and will begin to operate from the next 5-year plan period, that is, from 1991. That is a realistic assessment in my view. We need time to prepare, and we need to think everything through carefully and to develop an entire complex of measures.

[Question] According to the principles of full economic accountability and self-financing, extended reproduction and measures to ensure scientific-technological progress are financed through enterprises' own funds or through bank credits. Does this not contradict such principles of socialist economic management as the concentration of resources in strategically important areas or the centralized establishment of national economic proportions?

[Answer] Reform of the economic mechanism presupposes a substantial change in the methods of centralized planning. The transfer to self-financing is of course incompatible with the traditional methods of centralized planning. These must be substantially changed. In many branches we are already transferring to a system whereby the concrete volume and types of output are not established centrally. The question of what to produce is removed from the centralized planning sphere and transferred to the sphere of lateral ties between enterprises. In other words, the production program and its concrete plan are formed according to consumers' orders on the basis of contracts.

At the same time the sphere of centralized planning is substantially changing. The center of gravity here is being transferred to strategic decisions, including the structural reorganization of the national economy, the creation of fundamentally new branches and production units and the implementation of a unified scientific-technological policy. This is the sphere of strategy, and it seems to us that intensification of the role of centralized planning in the resolution of such important issues is wholly compatible with the broad

independence and autonomy of enterprises and associations. There is thus a need to restructure the very content of planning work.

[Question] In a planned economy is it necessary to plan directive what and how much to produce, that is, to plan the production volumes of every product type? Or can a socialist planned economy function successfully if it abandons this kind of directive index?

[Answer] I shall give you a straight answer. Such planning is not an obligatory element of socialist planning. Socialist planning can function without such targets. Both our country and other socialist countries have experience which is evidence that production schedules of what to produce and how to produce it can be successfully developed on the basis of orders. The state can be the customer in the most important areas. It is true that it is one thing when footwear production is being planned, where trade can be the immediate customer, and quite another thing when, say, a nuclear icebreaker is being built. Who is the customer in the latter case? The state is. It sets the price and makes the order. But this is no longer simply centralized planning, but rather a form of order. The intermediate forms go further. For instance, take the production and sale of complex equipment, which combine elements of the state order and the direct contract (for example the production of tractors which are supplied to agriculture).

All in all, however, I would like to repeat that directive targets for product types are not obligatory for socialist planning.

[Question] As far as we know, economists have made a proposal (which may have been approved somewhere, but we do not have any information on this), according to which it would be expedient to deduct costs from total production volume and to assign a certain proportion of the difference obtained, that is, from gross income, to wages and bonuses. In this connection it is proposed that the wage fund and the bonus fund be combined. In your opinion, would it be possible to implement such a proposal?

[Answer] This is not only a proposal by economists. Such a mechanism is now being tested in practice, to be specific, in the sphere of consumer services. We will shortly evaluate its effectiveness.

In general, there are two fundamental solutions. The first is based on the profit mechanism, where the wage fund is formed as an independent quantity in line with norms for every ruble of output, either net or sold (there can be other variants). Additional material incentive funds are formed from profits. This mechanism based on profit is the more widespread in our industry. The second principle is based on the concept of gross income. It is applied in the way you described, with all types of material expenditure being deducted from proceeds. Out of the gross income obtained, deductions for the budget and for higher organs are then made and the production development fund is formed. The remaining income is not divided into wage and bonus funds but goes as a whole toward labor remuneration without any division into basic and supplementary parts.

My personal opinion is that the second form has a limited sphere of application. This includes small economic units and enterprises and individual brigades in which each worker has a clear view of the final result and can influence it. But I cannot imagine such a system at, say, the Moscow Likhachev Plant. Residual income depends on a lot of causes: prices, supply, technical standard, and under this system each worker must for this with his wages. But he cannot answer for something over which he has no discernible influence. It is impossible that each of the 80,000 workers in the ZIL plant should exert a substantial influence on the final result. Each worker must be sure that if he carries out work well and fulfills tasks to a high standard he will receive a legal and guaranteed wage. At the same time, by participating as a collective member in the discussion and resolution of issues, he is also participating in the distribution of supplementary income.

Enterprises which employ 20 people, where the final results are visible, and where each person can exert a real and tangible influence on them, are quite another matter. Here it is more justifiable to use the second system of remuneration according to gross income or on the residual principle. For this reason it seems to me that both forms will be developed in the future. The choice of either of them will depend on the branch, size and complexity of the economic unit.

[Question] Dissimilar mechanisms for managing the economy are in operation in different CEMA countries. How should one assess the fact that, for example, Hungary and the GDR--countries in which economic conditions do not differ substantially--have developed economic mechanisms which are very unlike each other? Are different combinations of centralized management and enterprises' independence possible for different countries? Or is the economy of the socialist countries now going through a transitional period and will a version of the economic mechanism which is optimal for all ultimately be found?

[Answer] I shall express my opinion on this matter. I consider that given the existence of general principles such as democratic centralism, the planned approach and many others, the concrete shape of the economic mechanism must and always will be different in different countries. The concept of the level of economic development is a very relative one and is far from all-embracing. For instance, Japan is closest to the United States in its level of economic development, but their mechanisms are completely different.

I know that when American specialists were studying Japan's experience and trying to introduce it in their own country they had little success. And it is not a question of economic levels. There are different historical conditions, traditions and cultural backgrounds. Even within Europe, for example, between France and the FRG, which have approximately the same level of economic development, the difference between economic management mechanisms is very substantial. There are also a lot of differences between Hungary and the GDR, differences which are very deep, historical, cultural and linked with tradition.

For this reason, if we take the Soviet Union, no experience of any other country suits us in its pure form. We need a Soviet mechanism which matches our conditions and the scale of our economy. Nor must one forget that our



state is multinational. The situation and problems in the Baltic region, central Russia, Transcaucasia and Central Asia, for instance, differ substantially. And it is impossible to find identical methods to solve many problems. In short, while principles, social and political goals and approaches are the same, while management is of a democratic nature, while production is subordinated to the improvement of people's lives and so on, the concrete forms of production organization--the combination of small and large enterprises and the systems for stimulating production--will differ according to both region and branch.

To be specific, the report delivered to the 27th party congress by N.I. Ryzhkov, chairman of the USSR Council of Ministers, openly formulated the tenet that we will not repeat the mistakes of the past by attempting to find a single mechanism for heavy and light industry, for extracting and processing industries, for the energy industry and for the consumer services sphere. We will seek heterogenous and effective solutions. We are studying the experience of all countries: the GDR, Hungary, Bulgaria, Czechoslovakia, China and others. But the task is one of finding solutions which would reflect all the peculiarities of size, historical conditions and much else, including the Soviet Union's fulfillment of its international obligations by supplying products to other countries and by strengthening its own defense potential and independence, as well as that of the countries of the socialist community. This makes a mark on the specific nature of the economic mechanism.

[Question] A lot is now being said about consistent implementation of the principle of remuneration according to labor and about ensuring social justice on the basis of this. In other words, the more productively a person works, the more he receives. The level of labor remuneration depends on final results. This would seem fair. The following question arises, however. Could substantial divergence not arise between enterprises and branches in their levels of labor remuneration? Would there not appear a danger that the process of manpower migration between enterprises would be sharply accelerated in connection with the concentration of manpower at the most productive enterprises?

There is another problem (we are judging this on the basis of Japanese realities; the situation in the USSR is possibly different). There is clearly a positive side to the fact that the size of wages, and of bonuses in particular, changes in accordance with the results of work and that workers are in competition with one another. But there is also a negative side. It is possible, for example, for there to be attempts to "defeat" one's rival at any price, in order to become stronger oneself. With wage levels being leveled out, workers at Soviet enterprises have helped each other until now. There is a positive side to this. But again there is a negative aspect: such relations can give rise to irresponsibility and the aspiration to shift responsibility to others. To sum up, let us pose the question of whether changes in the system of labor remuneration will not lead to the relations of comradely mutual aid being undermined at enterprises.

[Answer] First of all I would like to emphasize that our society is a society of working people. For this reason participation in work, highly productive work, and distribution according to work correspond to our ideas about social



justice. The question of how to correctly implement this principle is being widely discussed. In 1986 a number of publications appeared on this subject.

And now for the concrete problems. First of all, will the application of this principle not accelerate the mobility of the work force and will it not lead to manpower being concentrated at the most productive and efficient enterprises? Such a variant of development is possible and as a whole it is in accordance with our goals. We want the greatest number of workers to be concentrated at the most productive enterprises. Without this it is impossible to rush ahead in labor productivity.

Will unemployment and social complications not arise in this connection? They could arise if autonomous enterprises existed and the state distanced itself from resolving social issues. But as I have stressed, our state combines the broad independence of enterprise with unified state administration. We recognize the state's role in this self-governing system. The state must ensure--on the scale of the national economy--that the number of workplaces corresponds to the manpower resources which exist in large regions. If we plan the creation of new workplaces, say in Siberia, then it is precisely the state which has to make an effort to develop the social infrastructure there and to ensure an appropriate amount of housing, medical establishments, educational institutions and kindergarten in order to create favorable possibilities for man to work.

The problem of comradesly mutual aid is not resolved at the level of the individual collective. It is a problem which depends on the type of social organization for its solution. Comradesly cooperation and mutual aid exist above all because the state guarantees that all categories of workers have an appropriate number of workplaces and opportunities to apply their labor. It may be that special employment [trudoustroystvo] organs will be needed within the system of state administration. In the local organs of Soviet power--the soviets of people's deputies--employment offices are being created which carry out the function of reassigning manpower and of transferring it to where an additional need for cadres arises. The offices also concern themselves with such matters as raising qualifications or requalification in accordance with new types and places of work. One cannot, of course, say that all our problems will be solved smoothly and painlessly. We can see that certain complications may arise and we are already beginning to work out a system of measures which could prevent any social collision.

[Question] The problem of justly distributing the goods provided by social consumption funds has now been posed. It is becoming clear that funds do not necessarily ensure equal access for all to the cheaper or completely free social benefits. Proposals are being made to abolish state subsidizing of food products, to make some increase in the level of apartment rents and to introduce payment for state services which are free at present. Can such proposals be implemented?

[Answer] The situation is such that solutions are needed. It is true that there are a lot of anomalies. The more the state sells food products, the greater its losses; the more housing it builds, the greater its losses. At the

same time people have formed certain ideas which it is impossible not to take into account. How will the matter be resolved?

I shall use several examples to expound my opinion about possible solutions. The level of apartment rents in the Soviet Union is very low. Rents are lower than the state's expenditure on maintaining the housing fund. Take this level to be 100 percent. It is both possible and necessary to raise apartment rents by 50 percent. But will this make people dissatisfied?

I do not think that the matter will be resolved in this way. The basic principle of the solution is differentiation. The rent for ordinary housing, in which a considerable proportion of the population with low income levels live, will be kept at 100 percent. At the same time there are high-standard houses with additional facilities, and there is also a group of people who have large surpluses of housing. It would be possible to increase apartment rents, say twofold, for such housing and for this group of people. On average the result would be the same: apartment rents would rise by 50 percent. But in this way we will preserve the social guarantees for the low-paid section of the population, and for those who live in ordinary, standard-quality houses. The additional expenditure will be transferred to those population categories with higher income-levels, which enjoy more facilities or have a surplus of housing. If they want, they can give up these facilities or surpluses and move into a smaller apartment, but they do not want to then they must pay. In short, this is not a direct and general increase in housing payment rents, but rather a differentiated approach.

And now medicine. We have free medical care. This is a social achievement, a social guarantee. It continues to exist. But imagine that there is one major specialist, a professor, among 1,000 doctors. Not everyone can get to consult him. This is physically impossible. It is possible to get to see him by two means: on the basis of "informal" relations or through additional payment. What is better? We consider that the second is better and fairer. This is an additional service of particularly high quality, and you have to pay for it. But normal medical treatment will remain free. Once again, this is a differentiated approach. It is necessary not simply to introduce a small payment for all medical care, but to move along the road of differentiation.

Food products. Take sausage products, for example. There are cheap types of sausage which are in great demand, their price being of the order of R2 per kilogram. There are population categories which cannot afford more expensive sausage. If the price is increased they will find themselves in a difficult position. But there are also sausages of higher quality which are not consumed every day, but on festive occasions or in connection with some additional needs. Until recently these sausages cost about R4.50. We are keeping the price of ordinary sausage at the R2 mark as a social guarantee, whereas the higher-quality sausage is now being sold at R9.50. So the average price has risen by about 50 percent.

I expect that this solution has greater prospects. It does not cause discontent, at least not among the majority of the population, while those with high incomes will survive. I think this is the general direction of our

approach. Those who are campaigning for an all-round price increase are proposing a crude and primitive solution.

[Question] The standard of living in the Soviet Union has undoubtedly risen recently. Nevertheless, there are still lines to be seen. A great deal of time is spent purchasing consumer goods. When will lines cease to exist and how will it be possible to eliminate them?

[Answer] This problem has two sides. The first is the population's income, and the second is the production of goods and services. We committed a grave error by allowing the population's incomes to rise at a higher rate than the real production and supply of goods. To put it another way, this sounds like growth in earnings outstripping the growth in labor productivity. This solution contradicts economic laws, and it has to be paid for. This means that the first thing which needs to be done is to make income and its growth strictly dependent on a real increase in consumer goods production and on a rise in labor productivity. This is done through normative regulation, and we are now making wide use of this system.

And now for production--product volumes and the quality of commodities. In many cases today quality takes first place and volume takes second. After all, as well as lines you can also go into many stores and see the reverse, where the range of goods is set out, a bored salesperson is standing beside them, and there is not one customer. This exists because low-quality goods which are not in demand are produced. Now we want to solve this problem.

I shall cite one example--footwear. The Soviet Union produces 50 percent more footwear per head of population than the United States. And this footwear lies about in shops and warehouses; there is no need to produce so much. But it is produced because the link between consumer and producer has been broken. The producer--the footwear factory--produces goods regardless of whether they will reach the consumer and regardless of whether they will be sold or not. This did not worry the producer. The center planned what and how much was to be produced (I have spoken about this already). We have now abandoned this practice. Planning will be carried out on the basis of orders by the trade sphere. Whatever the trade sphere orders must be produced; the amount it orders is what must be produced.

I can foresee an objection. The trade sphere could also leave everything on stockpiles. In order to avoid this it is necessary to transfer the trade sphere to full economic accountability. It will lose income for that it leaves in warehouses, and it will profit from sales to the population. It will then order only what it needs, whatever meets the demand. This is in fact a proprietary approach. It presupposes a change in planning, the introduction of full economic accountability and the maintenance of a general proportion between the population's income and the volume of consumer goods and services. Thus even with such a specific problem as footwear we see the need for comprehensive solutions which embrace different spheres. It is precisely this path which will allow us to combat lines and ultimately eliminate them.

Finally, it is also possible to make use of the price mechanism. Let us go back to our old example, the high-quality sausage. For 6 months now the



situation in Moscow stores has been completely different from what it was before. Half a year ago there were long lines for the sausage costing R4.50. The price is now R9.50. You can come and buy them--there is no line. He is another example. We now have special "Fashion" stores. High-quality goods which are in great demand--clothing and footwear--are sold at high prices. It is true that for the moment there are only a few such shops, that we are only taking the first steps, but things have started moving. When autumn comes a massive sale of goods at cut prices will begin. In other words, a flexible mechanism is in operation, allowing prices to be both raised and lowered, while the demand by the population is being satisfied more rapidly. I can tell you exactly when the lines will be completely eliminated: when all the elements in the new mechanism begin to operate.

[Question] A law was passed recently on individual labor activity. What is its goal? There is a point of view which holds that it will be very complicated to gain permission for such activity and to go through the registration procedure since this side of the matter has not been set up properly.

There are also doubts of another kind. If this activity brings in a good income it will cease to be secondary and will turn into the principle activity. And if this is so, the most able and intelligent workers will "rush" to this sector. I would like to hear your point of view.

[Answer] The law on individual labor activity is not of an autonomous nature. In answer to your first question I stressed that we have developed an entire complex of measures connected with restructuring planning and the credit system and with the introduction of full economic accountability. In other words we are moving in a very broad front rather than seeking one universal means of solving problems. As far as individual labor activity is concerned, the law was adopted only recently and many questions still remain. A year will go by, and there will be fewer questions, and new solutions will appear. Let me repeat once again that this is part of the system of measures. That is the way one must approach this law.

What questions can be resolved using this activity and what goals will it help to achieve? I would say that there are two interconnected goals. The first is conditioned by the fact that today it is necessary to make use of all opportunities which the country and society have for saturating the market with high-quality goods and services and for satisfying the population's demand. This is a fundamental issue for us. We need to ensure that people have a better life, that they can buy what they need and that they can obtain high-quality services in a quick and effective manner. Individual labor activity helps to solve this task, so it must be developed.

The second goal is to make use of additional labor resources which have not so far been put into action. I think that we have hundreds of thousands, if not millions, of people who could do some additional work. There are about 50 million pensioners in the country. They are not all frail old men and women. Many are healthy enough, possess considerable strength and great experience and are prepared to apply their labor in order to be useful to society and to acquire supplementary earnings. There are many people studying, including students, who are prepared to devote some of their free time to some useful



social activity in order to be of service to society and once again to obtain some supplementary earnings. There are a lot of people who, say, have their own automobile and who are prepared to carry out passenger transport activity for 2 or 3 hours after work and gain an additional income in order to solve some problem of their own. Up until now pensioners, students and people working in the production process have not been able to apply their efforts elsewhere. They are prepared to do this on a relatively limited scale and for relatively short periods, and it would be best to give them such an opportunity wherever society feels an urgent need for this, and above all in the service sphere. These are the goals which justify the use of the above methods.

If we take into account the fact that we are adhering to the principle that individual activity can be founded only on personal labor, and if we rule out the use of hired labor, that is, the appearance of exploitation of other's labor, then this form cannot be described as contradicting socialism. It has its basis in labor, and everything based on labor is not, in the final analysis, counter to the principles of socialism and is connected with the just distribution of income.

Will registration be burdensome? We will try to avoid this. We adopted the law in order to stimulate individual activity, not to limit it. This means that the operational mechanism of this law, including registration, must be made simple and easy enough not to repel people. We are striving to achieve this. It is possible that some problems may arise. Certain procedures may prove to be excessively burdensome. This cannot be ruled out. It will then be necessary to put the situation right and to eliminate obstacles.

And now let us deal with principal activity. The law stipulates that individual labor activity can also be the principal form of activity, that is, a person can engage in it professionally. Won't highly qualified workers rush from production to this sphere? I think that there is no danger of that. In my view, the danger is the opposite--that people will not be very willing to engage in these types of activity, that they will also have to be given some sort of incentive. But something else is more important. I stress again that a system of measures exists, and everything works only within the system. This means that a system of economic accountability and labor remuneration must be introduced into state enterprises, a system which enables a professional worker to earn as much as he is capable of earning, given his qualifications, energy, astuteness and persistence. Unnecessary restrictions must be removed.

If a person is working and has an upper limit of R200 and if he can earn R500 by engaging in individual labor activity, then he will "run" away. But what if you give him an opportunity to earn R500 or R600 in his own workplace within the full economic accountability system? He has professional qualifications, after all; he is a metal worker, a miner, a machine builder, a chemist a technician and so forth. I am sure that in that case he would not "run" anywhere. This means that all bureaucratic limitations in this sphere must be removed. The system must work. If we link all our calculations to individual labor activity, the elements in the system will in no way be coordinated with one another. If they are coordinated, then the problem about which you were talking will be eliminated.

[Question] Permit me now to move onto commodity-monetary relations. What state is the theoretical discussion on this issue now in? If differences of opinion still remain, what problems do they concern? Is there a group of scientists in favor of commodity-monetary relations and a group against?

Furthermore, what is the fundamental error made by those who support the revisionist concept of "market socialism"? How does a mechanism based on the use of commodity-monetary relations differ from "market socialism"?

[Answer] I think that the question of commodity-monetary relations under socialism is clear in principle. As far as the discussion is concerned, yes, there are people who hold other views. There are not so many of them, although they frequently behave "noisily". What can be said about this? Let us consider the history of science. Einstein appeared and discovered the theory of relativity. So science solved this problem. But even in Einstein's lifetime there could be a scientist or group of scientists who said: "We do not agree". Does this mean that there were two schools in physics, one in favor of the theory of relativity and the other against it? No, there were simply people who placed themselves outside science. If they do not agree, well, it is possible not to agree with science. I repeat that today the matter is clear for science, understood as theoretical ideas which have been proven and tested by life and experience. The people who do not agree with this are attempting to return to arguments which were resolved decades ago: do commodity-monetary relations exist or not and are they necessary or not? By doing this they are hindering the discussion of the main, most complex question of how these relations are to be used.

What, then, is clear today? The first conclusion is that commodity-monetary relations will be needed as long as socialism exists. The second conclusion is that the commodity-monetary relations under socialism are not the same as those which have existed and still exist in the capitalist economy, although they are externally similar. These are relations with new substance and they reflect different conditions of social development, a different type of relationship of ownership, different relations between classes and social groups. They have a new social content.

The third conclusion is also fairly clear, although it is somewhat more complex. It reflects the general concept which I have already set out in the course of this interview. Commodity-monetary relations cannot be examined autonomously, in isolation from the entire system of production relations. It cannot be presumed that all the questions will resolve themselves if we develop commodity-monetary relations. I have tried to show that success can be achieved only refining both planning and centralized management, by developing democracy in the political sphere, by strengthening legality and order in the production process, by developing people's awareness and by using commodity-monetary relations together with all the above. Commodity-monetary relations are not a magic wand, they are not some sort of panacea for all ills, and they are not the only means of solving all the problems. They are one of the links which can produce a result if they are included in the system and connected with all its elements.

In this connection I shall tell you the difference between our position and the concept of "market socialism". The latter is in fact built on an autonomous examination of commodity-monetary relations, and derives from the view that these relations are in themselves capable of solving all the problems, and that if they are given scope there will no longer be any need to plan, control or regulate because everything will resolve itself. This kind of market mechanism has not existed at all in the 20th century, even under capitalism. It is a phenomenon of the 19th century. Today there is no pure market capitalism in which there is only the play of "free market forces". This is impossible in view of the monopolies, both national and transnational, and of state regulation.

One gets the impression that the supporters of "market socialism" simply do not know what is going on under capitalism. It is an attempt to return to the last century. Furthermore, they conceive the economy as being situated on one plane, at which enterprises of supposedly equal status operate. This is a primitive outlook. The economy is three-dimensional rather than two-dimensional. It has a complex structure. Not only lateral but also vertical contacts are in operation. But the concept of "market socialism" is based on a "two-dimensional" analysis, denying the possibility and necessity of any form of vertical regulation and control. That is the principal difference.

[Question] A final question. At the moment efforts are being made in the Soviet Union to refine the mechanism for managing the economy, including material incentives. The goal has been set of advancing to the world's highest level of labor productivity.

I think that this is no easy task, and this is why. High labor productivity in capitalist countries is achieved through an intensification in the exploitation of the workers class caused by monopolist capital's pursuit of its goal of maximizing profit. Under socialism, however much the principle of profit may be introduced and however effective material incentives may be, there is nevertheless a limit to this. Under socialism there is no exploitation of workers. Profit is not the goal of production.

It is obvious that the superiority of socialism is only shown when, in addition to the above levers for influencing productivity, factors of its growth will be found which are exclusive to socialism and which do not exist under capitalism.

Anti-Soviet propaganda proclaims that the USSR's economy is in a state of crisis and that for this reason some elements of capitalist economic management have to be introduced. In order to give a proper answer to this it is once again necessary to clearly delineate the motive forces and incentives for economic development which are peculiar to socialism.

What, in your view, are the factors of development which are exclusive to the socialist economy?

[Answer] It is true that the task of advancing to the world's highest level of labor productivity is an exceptionally complex one. The solution will go far beyond the bounds of this century. We do not expect to complete this task very



rapidly. It is also clear that the concept of world level is a mobile one. This level will not remain static, and we need to have a kind of acceleration which will make it possible to cut short the present lag and advance to the point reached by the highest world level. In short, it is a difficult and long-term task. In order to carry it out it will be necessary to mobilize all forces--technical, organizational, social and political. At the same time I consider that the question has been posed in a completely correct manner. It exists as both a scientific and a political question: does socialism possess any specific motive forces which are absent under the conditions of capitalism and which are capable of ensuring that this task is fulfilled and of compensating for the lack of a mechanism of exploitation and profit extraction? I consider that such motive forces do exist. I can see them in two spheres.

The first sphere is that of using the advantages of a planned economy as the specific advantages of socialism. Where do I see this advantage and how is it capable of ensuring acceleration and an advance to the world's highest level? Once again we are not taking planning in the form in which it is established in our country today, with its shortcomings which hinder us today and will hinder us even more tomorrow if we do not get rid of them.

The advantage of the planned system lies in the ability to concentrate resources by the most rapid and effective method, without any restrictions; to concentrate them in one place and to direct them, once again unhindered, to the most important sectors of economic life, to those zones where a breakthrough to the most effective technology can be achieved. Of course, capitalism does this too, through the banking system and other regulators. But a planned economy possesses the ability to react most swiftly to any structural changes and to the appearance of progressive new areas in social production, science and technology. It is necessary to master this advantage and to create an appropriate mechanism, bearing in mind planning, cadre provision and organizational and other preconditions. But in answering your question I am talking not primarily about the concrete details but in principle about the existence of such a source of acceleration in the conditions of socialism.

The second source which is peculiar to us lies in the fact that socialism fundamentally changes the position of man in society. It makes him proprietor of the country and of the production process to the fullest extent. At a historical level each successive system--slavery, feudalism and capitalism--has provided more powerful incentives for work and ensured higher work efficiency than the previous system. In addition, it can be proven that that no system is capable of providing a greater incentive than that created by the position of proprietor. The proprietor is the most disciplined and most efficient worker. In principle socialism possesses this force. We have not learned how to use it yet and we have not found adequate forms of administration, management and democracy. Never mind, we will restructure. But in principle the position of proprietor of the country forms part of the very nature of socialism.

Incidentally, I consider one of the reasons for the success of the Japanese economy to be the fact that it has found original ways of using this lever and



has been able to make better use of it than any West European capitalist country or the United States. Of course, I cannot judge the extent to which this is inherent in the Japanese economy and I would not like to get into this subject at all since I am a specialist on the Soviet economy.

The nature of socialism thus contains a most powerful motive force--the new motivational mechanism for the worker's behavior, a mechanism based on the sense of being proprietor of the country. This idea is clearly visible in the decisions of the 27th CPSU Congress. That is the pivot around which everything else revolves--self-management, self-financing, full economic accountability, the democracy of the political system and state laws. These are all methods of activating the main motive force of our society's development, which is the labor potential of the people as the proprietors of the country and the owners of the means of production.

I think that that is the best conclusion for our discussion.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1987

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## STATE REGULATION, PRIVATE ENTERPRISE IN CAPITALIST COUNTRIES

[Editorial report] Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, April 1987 carries on pages 72-82 three additional articles in the ongoing discussion "State Regulation and Private Enterprise in Capitalist Countries: Evolution of Mutual Relations".

V. Pankov's article "'Deregulation' and the Evolution of the Economic Mechanism of State-Monopoly Capitalism" supports the position of viewing "deregulation" (including privatization) in an expanded, international context, identifies the underlying causes of "deregulation" and argues the case against the idea that "the weakening of state influence on economic life will become an effective measure for combating crisis and stabilizing the economy." Neoconservative views notwithstanding, he says, the economic role of the bourgeois state has not declined and its "redistributing function" has not become less intense. He states further that "the current wave of privatization is not based on any fundamental laws of capitalism which are new in principle.... Denationalization and privatization are aimed at trade unions, the workers movement and the more strategic interests of the laboring people." Further, "'deregulation' has not made it possible to eliminate the crisis of the capitalist economic mechanism." He concludes by saying that "there are grounds for supposing that 'deregulation' in its current form may actually turn out to be a neoconservative experiment (as it is frequently called in the West), although a very unusual one in scope and consequences. It is quite probable that in the future in capitalist countries the trend in the evolution of the economic mechanism may change again, for example, in the direction of a post-Keynesian doctrine, institutionalism, or social reformism."

In his article "New Realization of the 'Common Knowledge' Is Inevitable" V. Rubtsov suggests that denationalization, reprivatization and deregulation be viewed in the context of the world economy and on the basis of Marxism-Leninism. He states: "The transition to denationalization, reprivatization and deregulation of the economy in capitalist states has taken place against a background of talks already underway on the debts of developing countries and the high level of foreign and state indebtedness of even the most developed capitalist states, including the United States." Rubtsov points out that the "international system of 'private' banks and international financial organizations serve as the party which regulates the world capitalist economy and grants loans to debtors. When they say that the IMF and World Bank dictate foreign and domestic policy to debtor countries, this also indicates precisely

the priority of some transnational authority over the state authority in these countries."

The last of the three articles "Reprivatization as a Link in the General Redistribution of Economic Functions" by A. Kollontay addresses the problem of the changing role of the state in the economy of developed capitalist countries. He states that despite the appearance of concessions to the interests of private capital, reprivatization is in fact a tool to expand state economic influence. "The withdrawal of state capital by no means always signifies a weakening of actual control over relevant industries," he says. "State regulation is becoming more and more complex." He concludes as follows: "The 'global' aspects of regulation associated with guaranteeing international competitiveness of the national economy and its individual industries is become of prime importance. Under these conditions, the redistribution of economic functions and perfection of the mechanism of private enterprise regulation of the economy are a completely natural reaction to the complication of the tasks facing the state in the economic sphere."

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## QUARTERLY REVIEW OF WORLD SITUATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 99-117

[International roundup by S. Zhemchugov, D. Malysheva, V. Mashin and Yu. Fedorov: "Current Problems of World Politics"]

[Excerpts] Literally every day enriches us with new political, social and moral experience. Every month is suffused with events which testify to the pivotal nature of the times in which our country and the world as a whole are living. They demand an innovative approach and the adoption of bold, responsible decisions. The dynamics of what is going on around us are fully in keeping with this imperative.

Merely an enumeration of the events of major political significance which we have witnessed in the last 3 months indicates the exceptionally important processes occurring in our country and on the international scene. The start of the year, which is to be a review of the achievements of socialism, which is preparing to celebrate the 70th anniversary of its march over the planet, was marked by such large-scale landmarks as the CPSU Central Committee January (1987) Plenum, the "For a Nuclear-Free World, for the Survival of Mankind" international forum, presentation for nationwide discussion of the draft USSR State Enterprise (Association) Act, the 18th Soviet Trade Unions Congress and the new peace initiative formulated in M.S. Gorbachev's 28 February statement.

As might appear at first sight, these events concern entirely different seams of society's interests. But if we were to summarize the diversity of problems raised in such a short interval of time and attempt to distinguish their quintessence, a common strategic vector--the firm resolve to ensure victory for the forces of reason and creation over the threat to mankind's self-extirpation--is revealed in all clarity.

### 1. Time for Bold Decisions

The danger currently facing mankind has its roots in the times when capitalism perceived the Great October as a kind of "fatal mistake" of history. Even now, 70 years on, the enthusiasts of its "rectification" have not disappeared. In their arsenal is extraordinary dangerous nuclear blackmail and the desire to exhaust and weaken socialism in an arms race.



It is for this reason that it is particularly important today that socialism be strong and united. It is insufficient henceforward to have a feeling of our historical rightness. It is essential that the humanism of our goals and the economic power and inexhaustible potential of socialism be obvious to each individual in the world, to our implacable ideological adversaries included. This is, perhaps, the most substantial argument in defense of a nuclear-free world, in support of the society of the future, in which there would be no place for violence.

Thus the policy of reconstruction is closely connected with the most important foreign policy aims of the CPSU and the Soviet state and also with the interests of world socialism and all mankind in general.

For decades advocates of the Western lifestyle have sown distrust in the ideals of socialism, accusing it of being a "closed" society and of glossing over difficulties of growth. The new moral atmosphere of openness and candor accompanying the reconstruction completely demolishes such assertions. Openness and the democratization of all aspects of the life of society are an indisputable guarantee of the irreversibility of the revolutionary changes currently under way. This is an obligatory component of the new political thinking.

While attaching paramount significance to the development of democracy in the production sphere the CPSU is consistently consolidating principles of social justice, which are so important for world socialism, introducing the self-management mechanism to the life of the workforce and creating conditions enabling each working person to feel himself to be the real proprietor of his enterprise. Reconstruction is unfolding along the entire front and acquiring a new attribute--it is growing not only in breadth but also in depth, affirming historical optimism not only in words but in practice and eradicating distortions of the principles of socialism.

Rejecting formalism in work, the party is promoting executives of the new type capable under the strenuous conditions of the restructuring of ensuring movement toward the foremost frontiers of S&T progress, a fundamental improvement in the quality of the manufactured product and high production efficiency. There is practically no sphere of the life of the socialist society not affected by the reconstruction.

"A reassessment of values and their creative interpretation is under way, discussion of the paths of transformations in the economy and the social and spiritual spheres has unfolded and a quest for new methods of organizing and ideological work is spreading," the January Plenum observed.

An analysis of the situation which had taken shape in the last 15 years in the Soviet economy has shown not only the people's undoubted achievements but also how serious the situation was in various walks of life and how necessary profound changes are. In having candidly acknowledged the presence of negative trends, our party has only raised its authority among the fraternal parties and in the world in general.

"Time for bold decisions". In repeating these words reflecting the political and moral atmosphere of the restructuring we forget at times that we are not starting from scratch. The boldness consists of carefully selecting, comprehending what has already been achieved, what is necessary and valuable and abandoning the habit of thinking in accordance with ossified cliches.

In fact, no one denies--could not deny!--the socialist countries' obvious successes. Some of them have already achieved much in the solution of such problems as the extensive use of economic levers of management and the development of individual labor activity. The food problem has been solved in a number of countries. But it is not a flattering catalogue of achievements which determines a society's maturity. Signs of stagnation have accumulated together with the successes, volitional methods of management have predominated over economic methods and the criteria of efficiency have been eroded. Unfortunately, it has been far from always that such phenomena have been opportunely analyzed and critically interpreted. A dear price has sometimes to be paid for this, as was the case in Poland, for example. Stagnation and painful symptoms not removed in good time formed a dangerous abscess and developed here into a serious economic and sociopolitical crisis.

Socialism's transition to an intensive development path demands a change in methods of leadership which have taken shape over decades. Yes, industrial production in the socialist countries is growing constantly, but nonetheless more slowly than required by the interests of society. The efficiency of capital investments has risen, but, on the other hand, many disproportions in the economy have accumulated. Recognizing the existence of problems impeding the forward movement of socialism, our friends are trying the ideas of reconstruction on themselves, as it were. The processes of profound democratization which are currently being put to the test in our country are already having a tremendous impact on the fraternal countries. Innovative principles largely represent a fulcrum and reference point for the socialist countries. We are imposing our plans on no one and are not suggesting that they be copied. It is a question of studying friends' experience and sharing our experience.

For example, in Poland the system of the team contract is as yet far less widespread than in the Soviet Union. Whence Polish friends' close attention to various forms of the team organization of labor.

At the same time the Polish experience of worker self-management merits attention. The organization of labor at a leading Warsaw enterprise--the Karol Swercjewski Precision Measuring Equipment Plant--may serve as an example. Operational decision-making has been decentralized and responsibility for the fulfillment of decisions has simultaneously been increased here. This made it possible last year to eliminate 130 managerial units out of the existing 350. There came to be 3-4 levels of management instead of 9-10. The teams now have considerable autonomy, and direct leadership thereof is exercised by the councils which have been created therein. Worker self-management now essentially performs the role of social director of the enterprise.

The results are to hand. Despite last winter's difficult weather conditions, which caused restrictions on power consumption and interruptions in raw

material supplies, the plant coped with the production quotas. As the plant managers believe, this was achieved thanks to the economic reform, primarily of its underlying principles--self-management and self-financing.

The system of self-management is the most developed in Yugoslavia, which embarked earlier than other socialist countries on the path of a profound reform of the economic mechanism. The main elements of this system are the electivity of enterprise managers, combination of the principles of electivity and one-man management and competition for filling the position of manager.

Essentially in Yugoslavia the director of an enterprise is taken on by the workers' council. The board of directors proposes the production strategy to the council, which may approve it and amend it and may turn it down. At the end of the year the workers' councils make an evaluation, as a rule, of the activity of the manager and adopt a decision on this question. There are many elements in the Yugoslav experience which are in need of careful study.

Many complex questions, theoretical included, are arising in the process of restructuring of management methods. Take, for example, such a question as socialist enterprises granting concessions to Western companies. Is it not risky admitting foreign capital to one's territory? The question arises, specifically, upon familiarization with the experience of Poland, where the practice of granting foreign businessmen concessions exists.

It is appropriate to recall here the well-known pronouncements of V.I. Lenin, who not only allowed but deemed essential the attraction of foreign capital, in the form of concessions included, on condition that it be under the accounting and control of the socialist state. V.I. Lenin pointed to the benefits which it would derive here: it would be able "to learn from the capitalists" their ability to organize modern production and conduct foreign trade.

The Polish experience is interesting primarily for its establishment of a mechanism which has made it possible to rid oneself of petty tutelage and overcome the flawed practice of lengthy coordination typical of the sluggish departmental machinery. Instead of responding rapidly to changes in the marketplace, enterprises had with difficulty to overcome departmental barriers and obstacles, to link and coordinate.... Months and months were spent on this, meanwhile the market was putting forward new conditions, and the marketplace had time to change repeatedly. An absurd situation.

A Leninist approach to the question of the possibility of the attraction of foreign capital is also applicable in respect of the creation of joint ventures. As is known, the prospects of an expansion of this form of cooperation have been discussed extensively recently in the USSR and other community countries.

The first steps in this direction have already been taken. A number of agreements was concluded recently on the creation of joint ventures with Western, specifically, Finnish, companies. These will obviously be followed by new contracts.

The creation of joint ventures is a promising form of cooperation between socialist countries also in connection with the fact that the main area of the international division of labor are specialization and cooperation in the manufacture of high-science, technically intricate products. The special USSR Council of Ministers decree testifies to the importance which the USSR attaches to this area of socialist economic integration.

One of the first examples was the Soviet-Hungarian enterprise for the production of medical equipment created at the end of last year. Despite the short time of its existence, it will very shortly embark on the manufacture of products: district doctors will receive automated diagnostic sets for checkups and the general examination of the public. A portable EKG will fit in a small box.

The creation of Soviet and Hungarian production engineers is an independent enterprise and will, as such, have the right to move onto the external market. The Hungarian firm has long had stable international relations: it has 10 joint ventures abroad. Thus the Soviet partners will acquire a wide range of agents without the particular additional expenditure accompanying such a difficult business as the emergence on new markets.

The granting of large-scale Soviet associations and enterprises the right to independently exercise foreign trade transactions is a decision that has long been due. They have been permitted, specifically, to create their own currency deduction funds. They will provide for all their currency outlays from their own--earned or loan--capital. Such is the essence of the principle being applied henceforward of currency self-financing and self-support within the framework of the profound restructuring of the foreign economic sphere. But the main thing is that direct relations make it possible to alter the structure of commodity turnover, make proprietary use of our export potential, abandon undue report writing and sever a multitude of administrative bonds previously fettering energy and enterprise.

However, in practice the establishment of direct relations is far from always as simple as appears at first sight. A lack of commercial experience and professionalism among many managers is clearly reflected. So it has to be learned, from our friends included.

There is also much which may be borrowed in organization of the agro-industrial complex. The February meeting of central committee secretaries of the CEMA countries' fraternal parties in charge of questions of agriculture discussed, inter alia, the possibilities of the development of existing and the use of new forms of cooperation, including the organization of joint associations, enterprises and research outfits.

A new stage of the development of the CEMA countries' agro-industrial production has begun. Thanks to the accelerated introduction of S&T achievements, the intensive use of economic and biological resources and the intensification of integration processes, production of milk increased 8 percent, meat, 9 percent, and eggs, 12 percent in the CEMA countries in the period 1980-1986. In the European socialist community countries per capi a



consumption of meat, milk, butter, vegetables and eggs currently approximates the recommended rational norms.

The establishment of direct relations between organizations, farms and enterprises of the community countries is contributing to the development of multifaceted cooperation and realization of the targets provided for by the Long-Term Special Program of Cooperation in the Sphere of Agriculture and Food Industry and also the Comprehensive Program of the CEMA Countries' S&T Progress up to the Year 2000.

The experience of the realization of such contacts has shown literally in the very first months that direct relations create the most favorable prerequisites for the development of economic initiative and for the maximum mobilization of the intrinsic potential of these enterprises based on economic interest in the results of cooperation. The following example is appropriate here. The "Petkus" Enterprise of Wutha (GDR) and the "Voronezhzernomash" Plant (USSR) jointly created grain-cleaning and drying machinery. It reduces labor input fourfold and produces a savings of up to R150,000 annually. But it is not even a question of these indicators of efficiency but of the fact that it would cost the GDR and the USSR considerably more time had they built this complex separately.

There is an abundance of work to be done in this field. Important changes are currently under way in the agriculture of many socialist countries--Czechoslovakia, Bulgaria, Cuba. The process of reconstruction in the agriculture of the PRC is attracting close attention. The essence of the reform being implemented here is that the right of management has been transferred to individual families and groups of people.

The reform began in 1979. In the years that have elapsed since that time a relatively precisely functioning mechanism has been created, commodity turnover is expanding, market prices operate together with state prices, "floating" prices for all types of agricultural produce aside from grain and cotton have been introduced and a system of the production responsibility of the peasant homestead has been applied. The role of important stimulus to the growth of the efficiency of the specialized peasant homesteads has been performed by the abandonment of the past wage leveling. Regulation with the aid of prices, taxation, credit and long-term loans has come to be applied actively in recent years.

Many peasants are investing their savings in the development of collective enterprises, in which previously only payment according to labor had existed. Payment depending on invested capital is now practiced also. Such economic methods of management have transformed the Chinese commodity market, extricated the economy from a state of stagnation and markedly increased labor productivity.

As a whole, the labor productivity indicator, given an enhancement of the role of quality evaluations, remains the key indicator for the socialist countries. In the period 1951-1985 this indicator in the industry of the socialist community countries increased by a factor of 6.3 (more than eightfold in Bulgaria, 4.4-fold in Hungary, 7.5-fold in the GDR, 4.2-fold in Mongolia, 7.2-

fold in Poland, 11-fold in Romania, 6.2-fold in the USSR, 5.7-fold in Czechoslovakia and twofold on Cuba compared with 1970 and by 15 percent in the past 5-year period in Vietnam). Economists of the socialist countries observe unanimously that this growth should be more intensive with the consistent application of new methods of management.

At the same time labor productivity is far from the sole indicator of the evaluation of efficiency. Economic theorists still have to elaborate a universal system of criteria which would make it possible to evaluate the multifaceted reconstruction process. For example, a qualitative change in the structure of foreign trade commodity turnover would afford greater benefits than its customary expansion. A multitude of such examples may be adduced.

Large-scale tasks also confront sociologists. There is no time now to rely on the trial and error method. Social scientists have been set the task of looking into the future and determining the optimum path for socialism, the main landmarks of which were outlined by the 27th CPSU Congress and recent party Central Committee plenums.

It is essential for the success of the restructuring that all social forces of the fraternal countries recognize that it is a question not of the renovation of the facade of socialism and not simply of an upgrading of relations between members of the community but of a fundamental renewal of strategy and transition to new forms of integration. In order to achieve the reconstruction of the socioeconomic sphere it is first necessary to abandon the old patterns of thinking and break through psychological barriers, that is, restructure people's consciousness.

Each generation is characterized by a psychological attachment to a particular "social time"--its past, present or future. As the Polish expert E. Tarkowskaja believes, the first type of orientation is connected with the fact that its exponents represent their past as dynamic and most suffused with social content, whereas they would like to see the present as tranquil and stable.

There is no need to show that the orientation of management executives toward the present and future is capable of imparting new stimuli and great dynamism to society. For this reason the guidelines provided by the January Plenum on the personnel issue and a restructuring of thinking in the direction of the decisive summing up of stagnant processes, a break with the deceleration mechanism and the creation of a dependable and efficient mechanism of the acceleration of the socioeconomic development of society are so important today.

Currently the majority of social scientists of the socialist countries is inclined to see the restructuring as an objective process brought about, specifically, by the pronounced acceleration of the social rhythms of all of human existence. Strictly speaking, the quickened "social pulse" is now becoming a part of the self-awareness of the present generation, bringing about a renovation of outward forms and social structures and all aspects of our life. The socialist world is linking its hopes for the future with

acceleration, openness and democratization. The policy of restructuring reflects its fundamental interests.

## 2. Six Months After Reykjavik

The 6 months which have elapsed since the meeting of M.S. Gorbachev and R. Reagan in the Icelandic capital are not that long a time. But the events which have occurred in this time have clearly shown that Reykjavik brought the task of struggle against the military threat to fundamentally new frontiers. The problem of large-scale reductions in nuclear arms was put on the agenda of practical policy. In addition, the prospect of progress toward a nuclear-free world showed through. It is for this reason that the results of the Soviet-American meeting have been the target of an acute struggle between the traditional and new political thinking.

For the Soviet Union the elimination of nuclear weapons is a natural and logical stage en route to the building not simply of a nuclear-free but also truly nonviolent world. It is a question of realization of a philosophy of security based on the unconditional priority of general values and the imperatives of interdependence and survival. Such a policy is inseparable from the revolutionary reconstruction of all aspects of social life under way in our country and the intensified democratization of Soviet society. "...Our international policy," M.S. Gorbachev emphasized, addressing the participants in the "For a Nuclear-Free World, for the Survival of Mankind" international forum, "is determined more than ever by domestic policy and our interest in concentrating on creative work to perfect our country. It is for this reason that we need lasting peace and the predictability and constructive thrust of international relations." Recognizing its responsibility to the future and civilization, the Soviet leadership is constantly seeking constructive and mutually acceptable compromises opening the way to the solution of the cardinal problems of ensuring security for all.

A different picture is observed in the West. There the results of the meeting gave rise to sharp debate and arguments in connection with the key issues of ensuring international security. They confirmed the existence of powerful forces endeavoring in one way or another to narrow the accords which had come to light in Reykjavik and, sometimes, to cancel them out altogether. And this is natural in its way: after all, actual nuclear disarmament demands a break with the habitual stereotypes of many centuries of political thinking and a renunciation of the obsolete, but still seemingly permanent postulates of power politics. It was no accident that H. Kissinger termed the results of the Soviet-American meeting the "Reykjavik revolution," while Z. Brzezinski wrote, commenting on them: "The strategic doctrine in operation for more than 30 years was surprisingly stood on its head." In a certain sense this really was the case.

The results of Reykjavik clearly show the exceptional complexity and ambiguity and, sometimes, the paradoxical nature of the processes occurring in the political consciousness of the modern bourgeois state. Thus it was the U.S. President whose name has become a symbol of the conservative change in this country's politics and its strict power politics on the world scene, who agreed with the need for a cardinal reduction in nuclear arsenals.



There are evidently many reasons for this. Not excluding even the strata of American society which form the mass social support of the present administration, there has been a marked strengthening of the antinuclear mood in this society in recent years. Judging by polls, more than three-fourths of Americans are opposed to the United States using nuclear weapons in the event of a nonnuclear conflict on the territory of Europe. This mood is sharply different from that which prevailed in the recent past. Opinion poll specialists are unanimous in their conclusions: the vast majority of the U.S. population is no longer willing to be subjected to the constant danger of "mutually assured destruction" and to feel itself to be a nuclear hostage.

Such sentiments cannot fail to have an impact on the official position of the political leadership of the United States. None other than President Reagan has repeatedly declared his aspiration to do away with nuclear weapons. How to evaluate such statements is another matter. Many American, and not only American, observers are inclined to see them as confirmation that R. Reagan would like to go down in history as the president who rid the world of the darkling feeling of looming thermonuclear catastrophe or, at least, who took a big step in this direction. This should evidently not be ruled out. Nor also should we disregard the fact that there are in the ruling circles of the United States many sober-minded figures who recognize the danger of a continuation of the arms race and a quantitative buildup and qualitative upgrading of existing arsenals--a process fraught with the emergence of a situation wherein military-strategic parity ceases to be an instrument of deterrence. Together with subjective factors there are also objective ones demanding a halt to the arms race. They include primarily the United States' colossal budget deficit largely brought about by the sharp growth of military appropriations since the assumption of office of the Republican administration.

But in order for all this to be embodied in practical steps in the direction of a nuclear-free world it is essential to renounce many outmoded stereotypes of thinking and ideas about the modern world conditioned by them and intrinsic possibilities which are at the basis of U.S. policy in the international arena. It is primarily necessary to renounce reliance on force as a means of achieving political goals, obscurantist anti-Soviet prejudice and the endeavor to achieve superiority over the socialist world or, at least, wear it out by an arms race (whence comes, does it not, incidentally, the primordially fallacious formula "disarmament through superarmament"?). Washington has not proven ready for all this.

Immediately following the Reykjavik meeting, on the other hand, the American leadership turned down an accord on the complete destruction of the strategic triad, declaring its intention to preserve heavy bombers. Yet it is in this type of delivery vehicle that the United States is more than three times superior to the USSR. More, having demonstratively violated the commitments ensuing from the SALT II Treaty, Washington agreed to such a step as an increase in the number of heavy bombers equipped for cruise missiles. It is just as demonstratively continuing nuclear testing, which forced the Soviet Union in February to end its observance of its unilaterally announced



moratorium on all types of nuclear explosion, which had been in effect for almost 18 months.

At the start of 1987 the U.S. Administration launched an offensive against the ABM Treaty--a foundation of strategic stability in the modern world and cornerstone of the entire arms control process. It is a question of an endeavor to legitimize the so-called "broad interpretation" of this document, the point of which amounting to the fact that the prohibitions which it imposes should not extend to a whole number of systems being developed currently within the SDI framework. Such an interpretation is built on a distorted and arbitrary reading of the ABM Treaty and the supplements thereto. The Pentagon is attempting with its help to justify a wide-ranging program of the testing of devices intended for the future ABM system, which are contrary to the letter and spirit of the treaty. As the Western press reports, the point of such a step amounts to imparting to the "strategic defense initiative" an irreversible nature. The supporters of the SDI are making haste: the attempts to undermine the treaty are encountering opposition on the part of influential circles within the country aware of the dangerous consequences of this action. Thus compliance with the treaty is advocated by the majority of members of the U.S. Congress. According to S. Nunn, chairman of the Senate Armed Services Committee, its violation would mean an end to arms control.

The possibility of Washington withdrawing from the ABM Treaty is causing concern among the United States' allies also. At the same time the contradictoriness and ambiguity of the position adopted by the ruling circles of a number of NATO states on disarmament issues has to be noted. While calling for the senior partner to abide by the agreements which have been concluded in the sphere of limiting the arms race they are at the same time creating additional obstacles in the way of the process begun in Reykjavik. It is sufficient to recall the negative response of the governments of a number of West European countries to the accords reached in the course of the Soviet-American meeting concerning a radical reduction in nuclear arsenals. Spokesmen for these countries and also NATO leaders hastened to present a variety of "misgivings" and "warnings" on this score. Yet it is a question of those who even quite recently were calling on the USSR and the United States to make progress at the Geneva negotiations.

The obstructionist approach of influential circles in the West to the problems connected with the implementation of practical disarmament steps was also reflected in the results of the December 1986 session of the highest bodies of the North Atlantic alliance. Commenting on the decisions adopted thereat, the INTERNATIONAL HERALD TRIBUNE observed: "NATO has distanced itself from the goal of the destruction of all Soviet and American ballistic missiles declared by President Reagan." Very serious efforts were made in the course of the session to halt and turn back the process begun in the Icelandic capital. Echoes of this passed beyond, and not fortuitously, possibly, the confines of the halls of sessions of the headquarters of the NATO alliance. "...We may suspect," NATO Secretary General Lord Carrington, for example, declared, "that they (the Reykjavik accords--authors) require extra time to be defined conclusively, to be newly developed and be the subject of negotiations."

Attempts are made with such diplomatic allegory to conceal the idea that in their present form these accords cannot even be a subject of negotiation.

What are the arguments of those who oppose progress along the path of nuclear disarmament? It is made understood sometimes in veiled manner, but at times perfectly clearly also that the U.S. President is setting unduly great store by public opinion and, possibly, the task of restoring his own popularity undermined by the scandal surrounding the supplies of weapons to Iran. It is asserted that the idea of the removal of entire classes of nuclear arms pertains to the category of utopia, noble, possibly, but essentially dangerous. The Reykjavik process, its critics declare, undermines the very foundations of the security of the West, primarily of the West European countries. "The building put up in Reykjavik calls in question the entire postwar structure of deterrence," H. Kissinger, reflecting such sentiments, wrote.

This formula conceals a highly simple, more precisely, essentially primitive, thought. The Soviet Union, the opponents of Reykjavik claim, has a most considerable advantage over the NATO countries in conventional arms, which can only be compensated by nuclear weapons. And for this reason, allegedly, the more realistic the possibility of the removal of American missile systems, the greater the "Soviet threat" to West Europe. The Pershing 2's and cruise missiles will only have to be cleared away, and Soviet tanks will be speeding toward the Rhine, the Seine and, perhaps, the Thames even. Proceeding from such evaluations and assumptions, a number of influential Western politicians is seeking a revision of the accords arrived at in Reykjavik or, at least, their linkage with a set of other military-political questions, primarily concerning conventional arms.

However, the picture of a "defenseless Europe" which is painted by some figures entirely fails to correspond to reality. The West European states are by no means inferior to the USSR in terms of the most important military-economic indicators. But it is not just a question of this. The correlation of military forces of the members of NATO and the Warsaw Pact does not, as highly authoritative Western specialists acknowledge, afford the Soviet Union the possibility--even were it to set itself such an absurd and dangerous goal!--of undertaking a successful offensive on the European continent. "Our conclusion," a report of the London International Institute for Strategic Studies observes, "is, as before, that the correlation of conventional arms is still such that wide-ranging military aggression is an extremely risky enterprise for either side.... The overall military potential of both sides is insufficient for victory." And even Gen B. Rogers, supreme commander of NATO joint armed forces in Europe, essentially recognized the existence of balance on the continent, in terms of conventional arms included: "For us (NATO--authors) it would be stupid to attempt to counter each Soviet nuclear system with a similar system, each soldier of theirs, with one of ours, and each of their tanks, with our tank." The development of events since Reykjavik thus shows how negative a role in modern world politics is being performed by the old thinking, that is, a vision of the world through the prism of the category of force, superiority, domination, suspicion and prejudices rooted in the past.

The Soviet Union is by no means refusing discussion of the problems of a reduction in conventional arms. Moreover, it was the participants in the Warsaw Pact which called for a start on negotiations on these questions and put forward specific proposals. Following lengthy study thereof, the NATO countries advocated at the end of 1986 discussion of the mandate of the future negotiations--the composition of the participants, the subject matter and so forth. The Soviet Union's policy of a lowering of the level of conventional arms also presupposes here the implementation of measures making it possible to diminish and even preclude altogether the possibility of surprise attack. Pertaining among them is the withdrawal from the zone of contact of the most dangerous, offensive, types of arms, given the strictly defensive nature of military doctrines.

There is another side to the problem also. Many politicians in the West, including those who sincerely aspire to detente and disarmament, are asking whether the elimination of nuclear arsenals and the removal of nuclear deterrence will not lead to an outbreak of conventional wars and armed conflicts. This question undoubtedly merits the most serious attention, and the Soviet leadership will not avoid discussion of problems connected with ensuring security in a nuclear-free world. "...Nuclear weapons," M.S. Gorbachev emphasizes, "have largely shaped the character of the times in which we live. Of course, their destruction will not mean a return to what was the case prior to them. It is essential that the renunciation of nuclear deterrence not untie the hands of the devotees of military adventures." The principle of the total exclusion of force as a means of achieving political goals is a most important component of the Soviet concept of safeguarding international security. It regards the elimination of nuclear weapons as the first and most difficult step toward the building of a nonviolent world.

The Soviet Union is demonstrating not in words but in deeds its readiness to go its part of the way in this direction. It is profoundly convinced that all the necessary preconditions exist at the Geneva negotiations for the consolidation of the positive results achieved in Reykjavik. Specifically, the Soviet delegation has proposed a switch from discussion of a general plane to a specific coordination of the provisions of a framework agreement encompassing all areas of the negotiations--strengthening of the ABM Treaty posture, a reduction in strategic offensive arms as far as their elimination by the end of 1996, elimination of the medium-range missiles of the USSR and the United States in Europe and a decision on the question of the start of negotiations concerning a complete ban on nuclear testing.

True to its fundamental course--constantly seeking solutions opening the way to mutually acceptable accords--the Soviet leadership adopted the decision to take one further major step in the direction leading to a nuclear-free world. It was set forth in M.S. Gorbachev's statement of 28 February. The USSR proposed separation of the problem of medium-range missiles in Europe from the block of issues and the conclusion in respect thereof of a separate agreement, immediately, moreover. The Soviet Union proceeds from the fact that there is not simply a basis for such a step but in fact the ready agreement reached in Reykjavik. As soon as an agreement on medium-range missiles in Europe is signed, the USSR will withdraw from the GDR and the CSSR in accordance with an arrangement with the governments of these countries, the increased-range

operational-tactical missiles which were deployed there as measures in response to the deployment of Pershing 2's and cruise missiles. As far as the other operational-tactical missiles are concerned, our country is prepared to immediately embark on negotiations for the purpose of their reduction and complete elimination.

In taking this step the USSR accommodated the circles in the West which had posed the question thus: if Moscow separates the problem of medium-range missiles from the Reykjavik package, there will be no difficulty negotiating their elimination in Europe. They have now been afforded a good opportunity to prove this in practice.

The new Soviet initiative has made an exceptionally profound impression in the world. The USSR's offer affords a realistic prospect of progress not only in respect of medium-range missiles but also the entire set of questions connected with disarmament--such is the leitmotiv of the comments on M.S. Gorbachev's statement on the part of the mass media, prominent public figures and politicians and the governments of many countries. The breakthrough in the sphere of medium-range weapons will also be reflected auspiciously at other negotiations, FRG Foreign Minister H.-D. Genscher, for example, declared. Such an evaluation is contained in the pronouncements of leading figures of other West European states. The first reaction on the part of Washington officials is also grounds for optimism. In a televised speech President Reagan welcomed the step taken by the USSR. At the same time, however, observers call attention to the fact that he put particular emphasis on the problem of verification and inspection, which the United States has used repeatedly to drag out the arms control negotiations. Such an approach is typical of France's position also.

However, as many Western press organs observe, the USSR's offer is so impressive that anyone attempting to reject it would expose himself as an opponent of an accord in the disarmament sphere.

### 3. 'Irangate': Scandal and Policy

For several months the word "Irangate" has been on the front pages of American newspapers and magazines and has figured constantly in television and radio news broadcasts. Having become public knowledge, the secret operation of U.S. special services connected with supplies of weapons to Iran has developed into a major political scandal. Even specialists who are guarded in their assessments agree that "Irangate" could have very serious consequences not only for the present administration and the head thereof personally but also for the ruling party as a whole.

### 4. En Route to National Reconciliation in Afghanistan

The present year is to a large extent pivotal in the life of Afghanistan. For the first time in a long time there is hope of an end to the long fratricidal war unleashed by counterrevolutionary forces with the support of the United States and certain other countries. There was a special plenum at the start of January of the PDPA Central Committee which put forward a national reconciliation initiative, and in the wake of this the DRA Revolutionary



Council adopted the declaration "National Reconciliation in Afghanistan," which defined the political conditions of this process. Ultimately it is a question of the possible creation of a coalition government with the participation of various political forces.

#### 5. Pointless Bloodshed

The "Afghan question" was one of 59 on the agenda of the top-level forum of Islamic states. Also among the main ones was the Iran-Iraq conflict, the situation in Lebanon, the problem of a Near East settlement, international terrorism, the struggle against backwardness and starvation and others.

It was no accident that the continuing war between Iraq and Iran was at the center of discussion at the OIC conference. The intensity of combat operations has not abated in recent months. The appeals of the international community and the attempts at mediation being made by individual statesmen and countries and various international organizations and movements are proving unsuccessful. The war has caused both sides incalculable disasters and suffering. According to foreign press estimates, by the end of 1986 Iran had lost approximately 600,000 killed, Iraq, approximately 400,000. The number of wounded is in excess of 3 million. Material losses are put at hundreds of billions. According to official data, the war is costing Iran \$6 million daily. In actual fact, experts believe, it is swallowing up monthly from each side no less than \$1 billion.

#### 6. Chad--Dangerous Center of Tension in Africa

A civil war exerting a destabilizing influence on the political situation on the African continent has lasted for more than 2 decades in the Republic of Chad. The roots of the "Chad drama" are in the period of domination of the French colonialists, who kindled ethnic and religious contradictions, destroyed the customary way of life of the population and increased social inequality. The cultivation of cotton implanted by the colonial authorities led to the demarcation and actual division of the country into the "useful" south suitable for the cultivation of this crop and the "redundant" north--a desert and semi-desert zone. Economic backwardness prevented the appearance of a modern working class and national bourgeoisie. Enmeshed in archaic ideas and prejudices, the peasantry was capable merely of spontaneous, unorganized protests. Under these conditions leaders who enjoyed the support of the colonial administration and who relied on the family-tribal upper stratum operated on the political scene, in the main.

Mankind is currently living through a complex, crucial period. Never before has it encountered such a threat to its very existence as now. According to certain estimates, the nuclear weapons stockpiles are sufficient for wiping out 20 times more people than there are on the planet. The danger of the current situation is connected not so much with the malevolence of this person or other who might venture to activate this horrifying potential. Given the existing correlation of forces in the world arena, only a madman could agree to this, although nor can this alternative be completely ruled out either. More serious is the danger of the unsanctioned outbreak of a nuclear war--and not only as the result of malfunctions in defense's monitoring system

but also as a consequence of the incorrect assessment of the actions of the other side, mistaken information and so forth. And the risk is growing constantly in line with the quantitative increase and qualitative refinement of the nuclear arsenals.

It is already becoming cramped for the arms race on Earth, and there are plans to transfer it to space, which will increase the military threat many times over.

There is another aspect of the problem also. There is a direct connection between the huge military spending and the unsolved state of socioeconomic problems in various, primarily developing, countries. The arms race unleashed by imperialism is leading to a reduction in assistance to those starving and suffering from disease in Asia, Africa and Latin America. Hundreds of thousands, millions of people in these regions are dying annually from a lack of food, doctors and vaccines. But even the developed capitalist states are perceiving increasingly keenly the disastrous consequences of the process of militarization. The gutting of social programs, the negative impact on people's psyche, the undermining of moral principles and bourgeois-democratic institutions--such are merely some of them. But what is more dangerous is that the militarization of thinking and life style is weakening and, at times, removing altogether the brakes on the path toward nuclear suicide.

In speaking of the menacing challenge confronting mankind it has at the same time to be seen that never before has the struggle for the peaceful future of the planet united such a multitude of people in all regions and on all continents. Representatives of the most diverse political views, religious beliefs, classes and age categories are participating in the peace movement. And this is logical. In the consciousness of broad strata of the world community general interests and the need for survival are becoming firmly established as the highest value taking priority over all others.

This idea permeated the speeches of many participants in the "For a Nuclear-Free World, for the Survival of Mankind" international forum. Of those who came to Moscow to exchange opinions on how to do away with the nuclear nightmare, the majority were people far from politics in the customary understanding of this word. They did not see it as their job to substitute for statesmen. Nonetheless, the forum was an event of tremendous political significance. It confirmed that the questions on which the future of mankind depends cannot now be solved on the classical, traditional basis, without a realistic consideration of the new factor of the present day--international public opinion. Much of what has become the subject of practical discussion at government level and even enshrined for the first time in official documents was at one time put forward by the public.

The forum was further testimony to the international community's broad support for the Soviet program of the creation of a nuclear-free world and a system of all-embracing security.

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"Mirovaya ekonomika i mezhdunarodnyye otnosheniya", 1987

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#### UPDATE ON AUSTRIAN POLITICAL, ECONOMIC SITUATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARCDNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 121-127

[Article by M. Yasovskaya: "Austria: 'Grand Coalition' Once Again"]

[Excerpts] Quite recently even Austria enjoyed the reputation of a state unacquainted with such phenomena as the frequent change of parties in power, surprise cabinet reshuffles and early elections.

However, recent events have made appreciable adjustments to the former ideas concerning the Alpine republic. In the fall of 1986 a government crisis broke in the country for the first time in postwar history. What had seemed virtually incredible just a few years ago became a reality.

But if we look somewhat more closely at what happened, the at first sight unforeseen turn of events ceases to be such. The government crisis was the logical result of considerable changes in the alignment of political forces in the country clearly manifested in the course of the elections to the National Council (the lower house of parliament) in 1983. At that time the Austrian Socialist Party (SPO), which had been in power unchanged since 1970, was unable to gain an absolute majority. In order to remain at the helm of government it was forced to agree to the formation of a "small coalition" with the small and highly mixed Austrian Freedom Party (FPO), which was headed at that time by representatives of the liberal wing. In the new parliament the two parties had a highly unstable preponderance (together they had gained at the elections 52.8 percent of the vote and, accordingly, 102 of the 183 seats). For this reason the situation portended an exacerbation of the political struggle.

Both coalition partners endeavored to strengthen their positions in order to arrive at the elections in the best "shape". In turn, the main rival of the socialists--the Austrian People's Party (OVP)--having achieved a certain increase in its vote for the first time since 1970, set itself the task of winning an absolute majority at future elections and forming a one-party government. Finally, the "green" parties, which had recently appeared on the political scene, struggled to expand their influence: not having obtained in 1983 the so-called "basic mandate" according, in accordance with the country's



constitution, the right to enter parliament, they hoped to "take away" the number of votes needed for this from the leading political parties.

In September 1986 the OSP Presidium adopted a decision on severance of the government coalition with the Freedom Party. The reason for this step was the change in the leadership of the FPÖ: (Y. Khayder), a representative of the right wing, had been elected chairman of the party in the course of its congress in September of that same year. He was now to replace as vice chancellor and simultaneously minister of trade, commerce and industry his more liberal predecessor H. Steger. The Socialist Party leadership deemed preservation of the coalition in such a form impossible and announced its suspension and early National Council elections (1).

They were held on 23 November 1986 and produced many surprises. Although the socialists succeeded in preserving a relative majority, obtaining 43.1 percent of the vote and 80 seats in parliament, compared with the preceding election they sustained tangible losses (4.8 percent of the vote and 10 seats).

The ÖVP suffered a setback also. It was preferred by only 41.3 percent of the voters--almost 2 percent fewer than in 1983. As a result the number of the party's seats in parliament fell from 81 to 76. On the other hand, a considerable increase in their vote was achieved by the "green" parties. Some 4.8 percent of the electorate voted for them--1.5 percent more than at the preceding election. In addition, having obtained a "basic mandate" in an electoral district, the "Greens" secured for themselves the right to enter the National Council, where they will have nine seats.

But most surprising, perhaps, was the success of the FPÖ, which has recently been on the right flank of the political spectrum. Almost twice as many voters voted for it as in 1983--9.7 percent. The FPÖ has 18 seats in the new parliament (compared with 12 in the previous one).

Such are the formal results. What do they essentially signify? What were the reasons for the changes which occurred in the alignment of forces on the country's political scene?

Although the elections culminated in a victory for the SPÖ, it may be considered highly relative. The results of the voting confirmed the trend toward the lessening of the Socialist Party's authority first seen in 1983.

The paradox of the situation is that the prestige of the SPÖ continues to decline against the background of comparatively favorable economic indicators. Thus the rate of increase in Austria's gross domestic product in 1984-1986 amounted to 2-2.9 percent. The increase in industrial production in the same period amounted to 5-3 percent. The level of unemployment (4.5-5.3 percent) and inflation (3-5.6 percent in 1983-1985, 1.5 percent in 1986) is relatively low on a world scale.

Nonetheless, the reasons for the weakening of the Socialist Party's positions are to be found in the sphere of the economy and are connected primarily with the situation in the nationalized sectors of industry, which is characterized by a severe financial crisis.

It should be borne in mind that in Austria the state sector has always performed the role of important factor not only of economic but also political life. For this reason the auspicious state of affairs in the nationalized sectors of industry as a whole until recently was an important trump card of the ruling Socialist Party, which has traditionally supported the development of the state sector. Per the inverse relationship, a deterioration in the economic indicators of the nationalized enterprises observed for a number of recent years has harmed the SPO's prestige.

The point being that the state-owned enterprises united in the (EIAG) holding company and functioning on the basis of the principles of self-financing are in fact subordinate to market laws. However, their performance of a number of important functions within the framework of the entire economy (such as the preservation of a relatively low level of unemployment, participation in nature-conservation measures, countering the penetration of foreign capital) has limited appreciably the possibilities of carrying out the necessary modernization and reorganization of production. This would have required a reduction in the overall numbers of employees, which is attended by political costs for the ruling party.

The problems of a restructuring of the nationalized sectors of industry have assumed particular seriousness under the conditions of the crisis of the European metallurgical industry and with the appearance on the world market of commodities from the "new industrialized countries". The unprofitability of the bulk of companies which are a part of the holding company has begun to increase rapidly.

Government subsidies to the extent of 27 billion Schilling were granted throughout 1979-1985 to cover the losses and for the implementation of plans for modernization of the nationalized enterprises. However, it had become obvious by the end of this period that the strategy of "healthy expansion" for which the (EIAG) leadership had opted not only had not justified itself but had led to an inordinate dispersal of forces. The biggest losses were incurred by the leading concern of state-owned industry, Voerst-Alpine (2), which was primarily the result of risky operations pertaining to the creation of a number of overseas companies with the participation of foreign capital and also speculative deals on the world oil market.

Relying no longer on the holding company's management, the SPO presented its own program for a recovery of the nationalized sectors. It provided for the elimination of the system of proportional representation of the leading political parties in their on their supervisory councils, an improvement of planning within the framework of the entire (EIAG) group, separation of the Voerst-Alpine concern into several enterprises for the manufacture of metallurgical products and the production of finished products and also the transfer of certain companies to private capital.

However, implementation of the planned measures will require, according to government calculations, the elimination of approximately 10,000 jobs in the course of the next 4 years. For this reason the problem of surmounting the

crisis being experienced by enterprises of the state sector assumed special political poignancy on the threshold of the elections.

One material fact calls attention to itself in this connection. As the losses of the enterprises of the EIAG group and the amount of the subsidies allocated them from the federal budget, that is, from taxpayers' resources, grow, there is a change in the public attitude toward the state sector. Thus, for example, whereas in 1979, according to opinion polls, 67 percent of the country's population was opposed to the privatization of some unprofitable state-owned enterprises, by 1986 the proportion thereof had declined more than twofold--to 29 percent.

Another acute problem at the center of the attention of the election campaign was the state of official finances. Having made the basis of economic policy Keynesian methods of state-monopoly regulation, in the 1970's the Socialist Party made extensive use of the system of deficit financing of the national economy. The consequences of this policy--the rapid growth of the federal budget deficit and the national debt--were manifested in full at the start of the 1980's and became a principal factor of the socialists' loss of votes at the 1983 elections. However, in the subsequent period the SPO essentially adhered to the same policy. This led to a further exacerbation of existing difficulties. Thus, according to data of the WEG UND ZIEL journal, from 1974 through 1986 the national debt increased almost tenfold--from 61.4 billion to 599 billion Schilling, and its share of the gross domestic product, more than fourfold, amounting to 41.5 percent in 1986. There was a corresponding growth in expenditure connected with paying off the national debt. Whereas in 1974 it amounted to 1.4 percent of the country's national income, in 1985, approximately 5 percent.

The dynamics of growth of the federal budget deficit testify to the inauspicious situation in the financial sphere. This indicator, which in the majority of OECD states is roughly at the level of 3 percent of gross domestic product, is considerably higher in Austria and is continuing to increase constantly. Thus in 1983 it amounted to 5.4 percent, but in 1985, approximately 7 percent.

The socialists' incapacity for coping with complex problems is not the sole reason for the decline in their popularity. A definite role has also been performed by the relatively serious differences on certain issues of principle between the party leadership and its left wing represented by the SPO Younger Generation youth organization of the socialists. These disagreements, which have become traditional, intensified particularly following the formation of the government coalition with the FPÖ. In the youth organization's opinion, the socialists' participation in such a coalition is detrimental to the party and is preventing it consistently implementing social democratic principles. In a number of instances the SPO leadership, endeavoring to avoid a government crisis, has indeed been forced to agree to appreciable concessions to its junior coalition partner, which has caused discontent among part of the electorate and many party rank and file. Furthermore, the young socialists are demanding changes to the organizational structure and program of the party to make more clear-cut the differences between the SPO and the bourgeois parties.



An additional blow to the prestige of the socialists was struck by the election of the federal president of the Austrian Republic in May 1986. The SPO candidate, K. Steyrer, failed to obtain the number of votes necessary for election, and a representative of the OVP, K. Waldheim, became for the first time in the country's postwar history the head of state. Austrian Chancellor F. Sinowatz viewed the outcome of the election as lack of confidence in the socialists and resigned.

In the opinion of political observers, the change of party leader performed a positive role. F. Vranitsky, who assumed the office of chancellor, had in his comparatively short term in government as finance minister (since May 1983) gained the reputation of a farsighted and decisive politician, which he confirmed in the months prior to the elections as head of the cabinet. In the estimation of the Western press, he benefited manifestly in the eyes of the electorate compared with his predecessor--"a diligent, well-intentioned and modest individual without the least pretensions to charm," as the INTERNATIONAL HERALD TRIBUNE described F. Sinowatz.

But the main factor, perhaps, which secured for the Socialist Party appreciable advantages was the period of the election campaign and the elections themselves. The federal budget, which provided a considerable cutback in social spending, had yet to be adopted, nor had the negative consequences of the reform in the state sector of industry discussed above had time to manifest themselves to a sufficient extent. The OVP was thereby deprived of an opportunity to avail itself in full of the potentially vulnerable aspects in the position of its main rival. In addition, endeavoring simultaneously to satisfy the interests of the industrial bourgeoisie, the major landowners and the top manager strata constituting its social base, the OVP was unable to counterpose to the socialists' policy a clear-cut alternative. Its proposed prescriptions for a solution of the urgent economic problems essentially repeated the socialists' tenets, but were of a more explicit neoconservative nature.

In January 1985 OVP Chairman A. Mock delivered the traditional State of the Nation address, in which he termed the main tasks the preservation of existing and the creation of new jobs, environmental protection and improvement of the structure of the budget expenditure. He proposed a so-called "three-tier plan of integration of the social market economy and the ecology up to the year 2000," in which he unequivocally advocated a reduction in the state sector and the transfer of nationalized industrial enterprises to private ownership and also demanded strict measures for economizing on budget resources.

The party's entire economic program adopted at the congress in February 1986 was also sustained in a similar spirit. Advancing the slogan of "putting our own house in order," its authors advocate extensive denationalization of enterprises. In order to make this clause of the program more attractive to broad strata of the population the OVP promised to preserve existing jobs and create new ones. Another proposal provides for a reduction in subsidies to the federal railroads "to an economically justified level" and a reduction in the state's share of the capital of the nationalized banks and transport companies to 51 percent, and to 75 percent in the state-owned air transport company, given a gradual increase in their share of their own capital.



The plan for a recovery of finances put forward by OVP experts is based over 8 years. The main emphasis therein is put on a reduction in social spending. On the other hand, the plan of tax reform provides for the abolition of the dual taxation of businessmen, and in the long-term, for a considerable reduction in income and property taxes and also corporation tax. Commenting on this part of the party's economic program, the newspaper VOLKSSTIMME observed that "the doctrine of economies in budget resources was developed under the manifest influence of Reagan and Thatcher." A similar opinion was expressed by NEUE ARBEITER ZEITUNG (the central organ of the SPO), emphasizing that realization of the "'tax package' will lead to a considerable deterioration in the material position of low-income persons."

Thus the economic policy of the OVP is oriented toward implementation of the principles of a "social market economy," which presupposes first of all a lessening of government intervention in the processes of economic development and according private capital greater freedom of action.

Against the background of the decline in the popularity of the Socialist and Austrian People's parties the success at the parliamentary elections of the "Greens" movement was particularly noticeable. It emerged in Austria somewhat later than in other West European states, however, the Vienna Institute for Conflict Studies estimates, in the mid-1980's it represented a "third political force". According to the figures of the Austria Press Agency, at the end of 1982 there were 36 officially registered "green" parties and groups of the most varied "nuances"--from organizations of the left presenting a program of social rearrangement through those of the extreme right, semifascist included. But real strength permitting a claim to a definite place in the country's political life is possessed only by the two biggest of them: the United Greens of Austria and the Austrian Alternative List. It is they which are represented in the new parliament. The first adheres to a liberal-bourgeois orientation, the second occupies a place on the left flank.

As in other West European states also, the phenomenon of the growing popularity of the ecological parties is explained primarily by the relevance of the tasks they put forward. In Austria the problem of environmental protection is, perhaps, somewhat more acute even than in the majority of industrially developed capitalist countries. According to local press data, approximately one-third of forest tracts occupying over 40 percent of the territory of the republic has been struck by various diseases. A threat of destruction looms over a most beautiful forest--the Vienna Woods--considered since time immemorial Austrians' national pride.

The struggle surrounding the plans to build a hydropower plant and a dam on the Danube (in the area of Heimburg), which could have done great damage to the natural landscape and, specifically, led to the destruction of Auwald Forest, had big repercussions in the country. The mass protest demonstrations organized by the "Greens" accompanied by clashes with the police forced the authorities to abandon implementation of the project. For her courage displayed in this struggle Austrian Alternative List leader F. Meisner-Blau acquired the nickname "Joan of Arc of the Greens".

But assertive activity in defense of the environment is not the sole reason for the growing influence of the ecologists. Another, no less important, reason, possibly, is connected with the pronounced decline in the authority of the two leading parties--the SPÖ and the ÖVP. Disenchantment with their policy is leading to the transition of some of the electorate to the "nontraditional" parties. Thus, according to an estimate of the NEUE ARBEITER ZEITUNG, approximately half the vote obtained by the "green" groupings at the last parliamentary elections belonged to voters who had customarily voted for the socialists and the ÖVP. Incidentally, the leader of the Alternative List herself was in the recent past a member of the ÖVP. On the other hand, Austrian communists believe, the outward "radicalism" of some "green" groupings (this applies primarily to the Alternative List, which offers a program of fundamental social rearrangement) is creating the danger of a transition to them of the "left potential of the electorate".

Will the "Greens" be able in the future to hold on to the positions they have won, even more, to consolidate them? This will depend on many factors, including a capacity to overcome the disagreements which exist among them and agree on the formulation of a joint action platform. Experience shows that where the two ecologist parties operate in rivalry with one another, they fail. This was the case, for example, at the land elections in Upper Austria, where the United Greens and the Alternative List put up different candidates and as a result failed to obtain a single seat in the Landtag. And, on the contrary, unification of efforts produces positive results. Most indicative in this respect were the "green" parties' joint actions in Vorarlberg (1984), when they won 13 percent of the vote and 4 seats in the local parliament. The "Greens" were also able to come to an arrangement concerning a common candidate at the 1986 presidential election: it was F. Meisner-Blau, for whom 5 percent of the electorate voted. And, finally, the undoubted success at the parliamentary elections.

Nonetheless, the main sensation of the elections was not so much the strengthening of the positions of the "Greens" (generally predicted by observers) as the increase in the votes obtained by the FPÖ. However, if we look a little more closely at what happened, the at first sight surprise success of the FPÖ was quite logical. It reflects the recent strengthening of rightwing, including neo-Nazi, trends in the country's social life. The evolution of the FPÖ itself provides a sufficiently graphic idea of this.

The FPÖ was formed in 1955 on the basis of the unification of the Union of Independents (half of the persons who voted for it were former national socialists) and the so-called Freedom Party as a "third political force". For a long time it was headed by former SS officer F. Peter.

In March 1980, when N. Steger, the first leader without a Nazi past, who promised "to purge a fine party of Nazis," was elected party chairman, it seemed to many people that the brown danger was over. "Absolutely democratic" was how B. Kreisky, former chancellor of the Austrian Republic, evaluated the FPÖ in 1983.

Nonetheless, disagreements in the party between the liberal and nationalist groupings were not fully overcome and made themselves known in 1985. The new

leadership's chosen policy was opposed by (Y. Khayder), leader of the right wing, who headed the party's biggest land organization in Carinthia. Attacking FPO policy in the coalition government, he claimed that it had "lost its own identity" and, together with it, was losing its supporters also. Ultimately (Khayder) began to blackmail the leadership headed by Steger with withdrawal from the party, which would have meant separation therefrom of the Carinthian organization and would have been tantamount to the collapse of the entire party.

The intraparty struggle reached its apogee at the FPO congress in Innsbruck (September 1986), when (Khayder) put himself forward for the position of party chairman. He was opposed by the entire federal leadership, but, relying on the support of the majority of land organizations, (Khayder) succeeded in persuading the delegates that an expansion of the party's influence could only be achieved in the event of the "introduction of fresh currents" to its policy. As a result he succeeded in gaining a majority of the votes at the congress (57.7 percent) and was elected chairman.

The right wing which had come to power in the FPO almost openly operates from the standpoints of pan-German nationalism, that is, preaches the idea of Austrians' membership of the "German nation" and their "common" spiritual and cultural heritage. "Old" and new Nazis have once again bestirred themselves in the party. Even according to the most cautious estimates, the Swiss weekly WELTWOCHEN believes, the supporters of national socialism constitute approximately 40 percent of the members of the OFP. It is indicative that in the course of the election campaign (Khayder) chose as a speaking venue the city of Braunau, where Hitler was born.

The FPO is not the only the party in which the "eternally yesterday's men" find refuge. In addition, there are approximately two dozen officially registered organizations and groupings in the country systematically propounding neo-Nazi and extreme rightwing views. Despite their small numbers, they have considerable opportunities for influencing public opinion and indoctrinating it in the corresponding spirit. The FPO's success is eloquent testimony to this.

At the same time, however, the growth of the party's political influence cannot be explained solely by the strengthening of rightwing trends in the life of the Alpine republic. It has been brought about to a considerable extent by the same factor which contributed to a strengthening of the position of the "Greens"--disenchantment with the policy of the two leading parties. In voting for the FPO some of the electorate was not so much approving its program as expressing lack of confidence in the SPÖ and the ÖVP. "Not all 10 percent of the electorate which voted for the FPO," the newspaper VOLKSSTIMME wrote following the elections, "is that reactionary and, even less, profascist. This was Austrians' protest against class collaboration and privilege and against the policy of cutting jobs at nationalized enterprises." It is no accident that almost one-fourth of the votes cast for the FPO was from voters who had previously supported the socialists.

Disenchantment with the evolved party-political system, with whose framework the two biggest parties are predominant, was also expressed in the pronounced



reduction in the traditionally high political assertiveness of the population in Austria. Some 90.5 percent of eligible voters participated in the 1986 elections, whereas in the 1970's this indicator had constituted 92-93, and in the 1950's, 94-96 percent.

In the situation which took shape following the elections, when neither of the leading parties had obtained an absolute majority in parliament and a resumption of cooperation with the FPÖ was precluded, the question of the formation of a "grand coalition," that is, a cabinet consisting of representatives of the SPÖ and ÖVP, arose. Strictly speaking, such an option had been discussed prior to the voting. But in practice the formation of a coalition government proved a considerably more complex task than anticipated earlier. Negotiations between the two parties were of a stubborn nature and lasted almost 2 months. Only in mid-January was the formation of a cabinet, in which the position of chancellor was occupied by a leader of the Socialist Party, F. Vranitzky, and that of vice chancellor and foreign minister, by a leader of the ÖVP, A. Mock, announced.

The other ministerial offices were distributed evenly between the coalition partners, and the Justice Ministry was headed by a so-called "independent" candidate. Thus the SPÖ is gradually losing its positions--in the former "small coalition" government the socialists held 16 of the 22 highest offices. But it is not only a question of a quantitative correlation. Representatives of the ÖVP headed the key ministries of economics and foreign affairs. The SPÖ retained the positions of ministers of finance, transport and nationalized industry.

How are the new government's prospects evaluated in Austria? What changes in the life of the country are to be expected in connection with the assumption of office of the "grand coalition" government?

It would seem that foreign policy, which is constructed on the basis of the State Treaty on the Restoration of an Independent and Democratic Austria and permanent neutrality status, will remain the most stable. Questions of the country's policy in the international arena have not traditionally been a subject of debate during election campaigns. Situated at the center of the European continent, at the intersection of states with different social systems, the Alpine republic has a vital interest in the development of friendly, good-neighbor relations both with the capitalist and the socialist countries. Austria's contribution to the consolidation of security in Europe and worldwide and limitation of the arms race and disarmament is generally recognized.

At the same time attention is called to the fact that for the first time in many years the conduct of foreign policy will be under the control of a figure of a conservative persuasion and who is chairman of the International Democratic Union--an association of bourgeois parties of the right. This itself makes extremely more complicated, if not impossible, the pursuit of a policy coordinated with the other socialist and social democratic parties of Europe within the framework of the Socialist International, as was the case before.



To judge by everything, the biggest changes will occur in economic policy. In spite of the election rhetoric, the differences between the two parties in this sphere apply more to particulars than questions of principle. The concepts they propose of a solution of acute economic problems provide primarily for a renunciation of the system of deficit financing, which is justified by the need "to consider the demands of economic balance". Thus the departure of the Socialist Party from the principles of "Austro-Keynesianism" (in financial matters) which has come to light in recent years makes more acceptable to them (sic) the model of a "social market economy" propagandized by the OVP.

The prescriptions of the two parties pertaining to a reorganization and recovery of the state sector in industry also have much in common. R. Graff, former OVP expert on economic issues and now member of the cabinet, made it clearly understood on the eve of the elections even that in the event of his party assuming office a policy close to that proposed by the SPO would be pursued. In turn, F. Vranitzky expressed agreement with his coalition partner that the nationalized sectors could not be extricated from crisis with the aid of classical measures, to which the socialists had resorted in the past.

The coalition partners' main task in the years to come will evidently be not so much the achievement of agreement in respect of fundamental issues of economic policy as, in the words of B. Kreisky, "not losing their identity... and not glossing over existing differences."

The program for overcoming the difficulties being experienced by the country put forward by the new government was reflected in the "coalition agreement" issued in January 1987. It plans, inter alia, limitations on budget expenditure and economy measures in the sphere of pensions. Simultaneously various concessions to the major entrepreneurs--from state subsidies through assistance in streamlining production and help in the export of capital--will be introduced.

Evaluating this document, the Austrian Communist Party organ VOLKSSTIMME emphasized that the capitalist policy of streamlining and social dismantling outlined by the SPO "is not basically different from the policy of the OVP, but is sharply contrary, however, to the program of the socialists...."

The formation of the "grand coalition" has led to a certain stabilization of the internal political situation. Despite the fact that the opposition forces have expanded their influence considerably, they nonetheless do not as yet represent a serious threat to the ruling parties. However, the new economic policy connected with partial privatization and reduced employment in nationalized industry and also a cutback in social spending could give rise to unhappiness among the broad masses of the population and lead subsequently to the electorate's even more critical attitude toward the ruling parties.

#### FOOTNOTES

1. According to the country's constitution, elections to the National Council were to have been held in April 1987.
2. The Voerst-Alpine concern heads the list of Austria's 100 biggest companies and is widely known abroad. It incorporates 23 production associations of metallurgical, engineering and shipbuilding industry and 13 trading firms (which employ 70,000 persons altogether) and also approximately 100 affiliates in various countries.

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## GROWTH OF ORGANIZED OPPOSITION TO PINOCHET DESCRIBED

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 128-133

[Article by A. Cherepanov: "Chile: Regime's Growing Isolation"]

[Excerpts] "I or chaos," Augusto Pinochet, leader of the military regime, declares, making it unequivocally understood that for the sake of the conclusive establishment of the "new order" he intends extending his term in office for as long as possible. The dictator's political ambitions and the plans for the future connected therewith are not confined, to judge by everything, to the period up to 1989, when, in accordance with the 1980 "constitution," the term of his "authority" expires. Cut to the measurements of Pinochet himself, the semblance of the country's basic law provides for the possibility of the "reelection" of the present occupant of the La Moneda presidential palace for a further 8 years--either in the course of "limited" elections scheduled for 1989 or a "plebiscite".

Like other dictators, Pinochet, seemingly, has such a belief in his plan to be some kind of guarantor of political stability in the country that, many observers believe, he has lost his sense of reality. Never since the military coup has the regime been in such profound domestic and foreign policy isolation as now, never before has the opposition to it assumed such extensive proportions. The French newspaper LE MONDE compares the situation in which Pinochet finds himself with the geographical location of this country itself, fenced off from the rest of the world by the Andean mountain chain in the East, the Pacific in the West, ice in the South and desert in the North.

According to existing estimates, were the "reelection" of the head of state to be held today, Pinochet would receive only 10 percent of the vote. Just a few years ago he could expect approximately 30 percent. Thus the social base of the regime is shrinking like shagreen leather: even many of those who recently supported Pinochet are crossing to the ranks of the opposition. They include not only people from the petty and middle and, partly, of the haute bourgeois milieu but also a growing number of representatives of the church hierarchy, who are increasingly condemning Pinochet and his stooges. The visit to Chile scheduled for April of the head of the Roman Catholic Church is contributing to the strengthening of the opposition mood of the clergy. Finally, although

the army as a whole, apparently, remains the regime's support, recent events have made it possible to discern the first cracks in this foundation.

The reaction of certain representatives of the army top brass to the unsuccessful attempt on the life of the leader of the regime made last September by members of the armed organization of the left, the Manuel Rodriguez Patriotic Front, may serve as an example. First, not one top military officer condemned this action publicly. Second, it was difficult for Pinochet, who resolved to avail himself of the attempted assassination to tighten the repression of his political opponents, to even have imposed a state of siege, which would have given him free rein for a campaign of terror. According to some information, no member of the junta (with the exception, of course, of the leader of the regime himself) appended his signature to the decree on the imposition of a state of siege. According to other information, two junta members--Admiral Merino and General Stange--were forced to sign by deception. In any event, there is a reluctance on the part of Pinochet's immediate entourage to identify with him.

Outside of the junta dissidence is being manifested even more distinctly. Following the assassination by agents of Pinochet's secret police of the journalist J. Carrasco, Brig Gen J. Gonzalez, commander of the Fifth Army Division, demanded "an immediate clarification of the circumstances" of his death. In the wake of Gonzalez the repression was assailed by Gen L. (Danus), commander of the Southern Military District. According to the Argentine journal ACTION, American intelligence agents in Chile call him "a figure capable of radically changing the situation in the country". The general, who occupied fifth place in the military table of ranks, paid for his words. He was retired. And together with him several senior officers sharing (Danus') views.

Other evidence that many senior officers and generals have turned up in the Chilean Army who are openly critical of the "national security" doctrine (1) and who advocate a dialogue with the opposition could be adduced also. Right at the end of last year the same Merino and other junta member, Mattei, made it understood that they were ready to meet with leaders of the center-right opposition and to begin negotiations. True, they were thereupon besieged by Pinochet, and on this occasion also the generals yielded to seniority. But for how long will they remain loyal?

As yet one thing may be said for certain: there is growing understanding in the ranks of the armed forces, as in other strata of society, that the Pinochet regime has brought the country to the abyss of a profound crisis, which has encompassed all walks of life--political, social, moral and, of course, economic. It is manifested particularly distinctly in this sphere.

As is known, upon assuming office following the military coup the junta adopted a development model constructed on the prescriptions of M. Friedman's "Chicago School". Having opened wide the country to Western, primarily American, banks and industrial companies, the regime acquired large-scale loans and credit. With the aid of heavy financial injections it managed initially to achieve a pronounced recovery of business activity. But this



unhealthy economic growth did not last long and ultimately brought the country's economy to the verge of total collapse.

Aside from the army top brass, the social stratum in whose hands wealth is concentrated incorporates the haute bourgeoisie and the latifundists, TNC managers, realtors and financial and currency speculators, that is, those who have been able to derive huge benefits from the policy of denationalization and deregulation of the economy pursued by the regime. They include the dictator himself and also close and distant relatives, who have used power for the purposes of personal enrichment, including the pocketing of colossal resources from public funds. According to some estimates, the leader of the regime has transferred several billion dollars to secret accounts in American and Swiss banks alone.

The mass unemployment and the continuing deterioration in the position of broad strata of the population and, on the other hand, the enrichment of the powers that be have contributed to the creation of a situation wherein no repressive measures have been able to avert the open expression of Chileans' long-accumulated hatred of the antipopular regime. "Repression," THE NEW YORK TIMES wrote some years ago, "cannot forever substitute for policy in modern society, particularly when times are hard. This is an old truth of which Chile is providing new confirmation.... But the Chilean Government has not grasped this truth."

The "close season" period in the country's political life ended in the spring of 1983, when the first national protest day was held. It was followed by others. In October 1984 the country was shaken by the first general strike since the time of the military coup. The second took place in the summer of last year. Increasingly new forces are joining the struggle against the regime, and it is assuming more diverse forms. In many cases mass anti-Pinochet demonstrations are being held at the appeal of the three main opposition groupings--the Popular Democratic Movement, the Democratic Alliance and the Chilean Workers National Guidance Council--the country's biggest labor union association. Practically all strata of the population, even schoolchildren, are taking part in the civil disobedience campaign.

Why, then, is Pinochet and the regime which he heads nonetheless capable of retaining power although the vast majority of Chileans is opposed to the dictatorship and supports the immediate restoration of democracy? Why has the explosion of popular anger which many observers have long been predicting not occurred as yet? What is preventing the ouster of the antipopular clique?

There is a number of factors which explain this seeming anomaly. First, the army as a whole supports the dictator as yet, although, as mentioned above, ferment may be observed in its ranks. The loyalty of the armed forces is secured not only by strict control exercised by Pinochet himself by means of a strict vertical seniority structure but also by a fear of the future, which is felt by many representatives of the army top brass. They have before them the example of Argentina, where dozens of generals and senior officers have appeared before a military tribunal charged with crimes committed in the period of military rule (is not this fear of possible retribution forcing the dictator himself to cling to power, certain observers ask). It is no accident

that "dissident" sentiments are most prevalent in such arms of the service as the navy and the air force: both are to a lesser extent than the army or the police corps responsible for the terror unleashed by the junta following its assumption of power. But it is the army which is the most populous and influential, and it is on this that Pinochet relies.

Another, no less important, factor of the protracted death throes of the Pinochet regime is the extensive support rendered the dictator throughout his term in office by Washington. True, many signs have appeared recently indicating that the leader of the junta no longer enjoys the past sympathies of his American patrons. In addition, critical pronouncements leveled at Pinochet are frequently to be heard from Washington even. In March of last year the United States' UN representative voted for the first time in favor of a resolution condemning human rights violations in Chile. Following the collapse of the pro-American regimes on Haiti and in the Philippines, observers have begun to express the assumption that the same fate evidently awaits Pinochet: Washington is prepared to sacrifice a dictator who is hated by the majority of Chileans to prevent the emergence of an "uncontrollable" situation.

The criticism of the head of the regime heard from Washington from time to time and the "unhappiness" with him which is expressed are not essentially contrary to this policy inasmuch as they are predominantly of a propaganda purpose, in other words, are aimed at "public consumption". Pinochet himself attaches no particular significance to the demarches of his guardians: he has long seen through this game. Incidentally, the dictator is not averse at times to playing along with Washington. Thus in the summer of 1986 he announced the formation of a "human rights commission," following which the same United States' UN representative who had earlier criticized the regime hastened to express "recognition of the positive activity of the Chilean Government" (in the human rights sphere--A.Ch.).

What, in the opinion of Washington politicians, will ensure for the regime a "reserve of strength" sufficient to hold on to power until, at a minimum, 1989? First, as mentioned, the support of the army and the United States itself. Second, the lack of unity, more, the division among the opposition forces, which will not only considerably weaken the struggle to oust the dictatorship and restore democracy but also, as anticipated in Washington (and in the entourage of the dictator himself), afford an opportunity for a deal between the regime and its political opponents from the camp of the bourgeois opposition.

There are grounds for such hopes. The first mass anti-Pinochet protests even showed the profound contradictions between the two main opposition groupings. On the one hand the Popular Democratic Movement--an association of eight parties of the left, including the Chilean Communist Party (PCC) and also a faction of the Socialist Party (headed by C. Almeyda). On the other, a coalition of right and center parties with the Christian Democratic Party (PCD) as the leading force. An influential figure of the PCD, J. Lavandero, formulated his party's position thus: the Christian democrats will not agree to a political alliance with the communists "either today or tomorrow."

For several years the leaders of the Democratic Alliance have not only rejected any possibility of joint actions with the Popular Democratic Movement but also impeded mass protest demonstrations organized by the communists and their allies from other parties. In fact the alliance is pursuing a class-collaboration policy aimed at gradual transition from the dictatorship to bourgeois parliamentarianism, which, according to the hopes of its leaders, is to weaken the positions of the PCC.

The basis of such a policy is not only the anticommunism of the parties which are a part of the center-right opposition but also purely practical estimates of the communists' actual influence in the country. For example, according to the assessment of E. Abrams, assistant U.S. secretary of state for Latin America, if free elections were held in Chile, one out of every four voters would vote for the PCC.

This prospect, considering the presence in the country of a multitude of small political parties (2), is causing concern in Washington and fear in the ranks of the center-right opposition. It is this fear which is prompting it to class collaboration with the Pinochet regime. In August 1985 the Democratic Alliance and its allies (11 parties and groupings altogether, many of which had until recently been closely linked or had cooperated with the junta) and also the upper stratum of the Catholic Church signed a so-called "national accord for a return to full democracy"--a document of a pretentious nature appealing more to the conscience of the military than representing a basis for democratic transformations. It does not say a word about the need for the removal of Pinochet from the political scene, struggle against the dictatorship, abolition of the 1980 "constitution" and immediate elections. But even in such a form the document proved unacceptable to the dictator, who for the umpteenth time turned down the invitation to a dialogue.

Following the signing of the "national agreement" the country's democratic circles were confronted more seriously than ever with the task of unification of all anti-dictator forces. In April 1986 representatives of approximately 300 various social organizations--union, peasant, women's and youth organizations, associations of professionals and so forth--assembled in secret in the Santiago suburbs. The meeting proclaimed the formation of the National Civil Assembly, which adopted a program of struggle for the restoration of democracy in the country which came to be called the "Chile demand". While declaring the need for the mobilization of the masses for the ouster of the dictatorship, the participants in the assembly at the same time allow, as an alternative, a military government without Pinochet which could carry out the necessary democratic transformations--per the model of what has been done in some Latin American countries. An opportunity was thereby created for the further isolation of the leader of the regime.

The appearance of the anti-Pinochet association of democratic social organizations embracing, according to certain estimates, up to nine-tenths of the country's population confronted the center-right opposition with a real threat of a loss of influence. The leaders of the alliance were forced to recognize the assembly and establish contacts with it. But simultaneously the bourgeois parties once again attempted to establish a dialogue with the regime

and conclude a separate deal with it. For the sake of this they even waived their former demand--the immediate retirement of Pinochet.

However, the dictator dashed the plans of the alliance leaders. He consented to a dialogue, it is true, but put forward a number of conditions. These were, first, a total severance with forces of the left and condemnation of the communists. Second, recognition of the 1980 constitution, in accordance with which Pinochet would remain in power until 1989 with the right of "reelection". Third, respect for and recognition of the current legal and political order. The members of the junta displayed loyalty on this occasion, outwardly, at least, and supported its leader.

The alliance consented to the first condition immediately. Strictly speaking, back on 17 September of last year it had rejected any possibility of any agreement with forces of the left whatever. But the second and third conditions put the leadership of the center-right opposition in a bind. In order to preserve its identity in the eyes of the Chilean people and the world community the PCD was forced to reject them. But dialogue between the dictator and the alliance cannot be ruled out. A number of recent events makes such a possibility more realistic than before.

Thus in January 1987 the military junta approved a bill on political parties. It is to take effect before the end of the first 6 months. Upon a close study of the articles of the bill, which is based on the provisions of the 1980 "constitution," it has to be concluded that the majority of parties of the left will remain outlawed. And the existence of other parties which will emerge from their clandestine situation will depend entirely on the junta, which reserves the right to once again ban this organization or the other at any moment. But, nonetheless, after the law has come into force the center-right opposition will have a chance to operate "legally". This may undoubtedly be seen as a gesture by the junta to the bourgeois parties and groupings and a transparent hint at the possibility in the future of a dialogue with them. It is from this angle that the lifting of the curfew in Santiago and its suburbs and also the authorities' permission for the return to Chile of some political emigres should be seen.

Another important event was the formation at the end of 1986 of a new union uniting 13 center-right and left reformist parties--the National Democratic Accord (NDA). Its members signed the document "Principles of Support for a Democratic Regime," which many observers evaluate as an attempt to extend the "National Agreement on a Transition to Full Democracy". The tasks of the NDA, as one of its leaders, J. Molina, declared, are the organization "countrywide of a campaign for free elections, a broadening of concurrent viewpoints between the parties constituting the union and a search for opportunities for the establishment of relations with the armed forces." Not a word was said about cooperation with forces of the left.

Despite this, the PCC and other of the country's progressive parties made one further attempt right at the end of last year to achieve the unification of all opposition groupings and unions. At the start of December an "Open Letter to the People of Chile" signed by L. Corvalan, general secretary of the PCC, C. Almeyda, general secretary of the Socialist Party (PSC), and L. (Mayra),



coordinator of the Christian Left Party, was distributed in Santiago. The text of the letter was also conveyed to NDA representatives. The document contains four fundamental points: unification of the forces operating from democratic standpoints; mobilization of the masses for struggle against the dictatorship; organization of effective self-defense; and, finally, participation of the parties of the left in the activity of a future government.

A meeting unprecedented in terms of its composition of 11 parties of the left, at which a joint statement signed by the PCC, all factions of the PSC, the Christian Left Party, the Movement of the Revolutionary Left and factions of the United Popular Action Movement was adopted, was held in mid-December in Santiago. The statement emphasizes the need for the solidarity of all forces of the left of the country and the creation of the broadest association of opposition parties and organizations. At the end of the same month the parties which participated in the meeting held a second round of negotiations. Attention is called to the fact that among those signing the document were some organizations which are a part of the Democratic Alliance.

One further meeting of representatives of forces of the left, who appealed to the Christian democrats to make joint efforts in the struggle for democratic elections under the slogan "free elections in a free Chile," was held at the end of January. A condition thereof is the resignation of Pinochet. In February, as PRENSA LATINA reports, a statement of 10 parties representing the main forces of the left of the country was signed which rejects participation in the process of political changes being implemented by the military regime for the purpose of "perpetuating Pinochet's term in office".

The immediate future will show which trend will prevail: a further delineation of the opposition forces or their gradual rapprochement. The subsequent development of events will depend on this to a large extent. Evaluating the situation in the country, Chilean communists believe that a revolutionary situation is objectively taking shape here. But serious obstacles in the way of its growth into a mass, nationwide uprising have to be seen also.

It cannot be precluded that the top brass of the armed forces will decide to replace Pinochet with a less odious figure, possibly from the ranks of civilian politicians even. But even if the Chilean military conceive a desire to retreat to the "background," they will most likely make this step conditional upon reserving for themselves the right in the future also to intervene in the political process and also the economic privileges acquired during their term in office. In any event, they will do everything to prevent a repetition of what happened to their Argentine colleagues.

But calculations are one thing, real life is another. Experience shows that the situation in the country is subject to rapid and abrupt change--periods of temporary slump are replaced by a new upsurge of anti-dictator protests. Proceeding from this, the PCC and some of its allies are pursuing a policy of mobilization of the masses, regarding it in the plane of a combination of peaceful and armed means of struggle for the restoration of democracy.

#### FOOTNOTES

1. This doctrine is based on the proposition concerning a permanent "internal war" (which is used for "theoretical" substantiation of continuous repression of "subversive elements") and also on the proposition concerning "permanent military rule": in accordance with this, the supreme authority must be exercised directly by the commander in chief of the country's armed forces.
2. Approximately 60 parties and groupings operate here currently.

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## ECONOMIC EFFECTS OF 'DISINFLATION' IN CAPITALIST COUNTRIES

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[Article by O. Lakshina: "'Disinflation' and the Capitalist Economy"]

[Text] The first half of the 1980's were marked by considerable changes in the nature of the inflationary processes in the economy of the developed capitalist countries. These changes were expressed in a considerable slowing of the average rate of growth of domestic prices, and in respect of certain categories of commodities, in a reduction in the latter. The rate of increase in the overall level of prices, as the indicator of which the average annual deflator of the gross domestic product is used, was lower in the period 1981-1985 than the corresponding indicator for 1976-1980 in the FRG and France by 0.8 percentage points, in the United States by 2, in Japan and Italy by 3.3 and 3.4, Great Britain by 7.9 and for the EC (12 countries) on average, by 2.9 percentage points. A greater assessment of the scale of the slowing of the growth of prices is produced by a comparison of its rate in 1980 (the last year up to the present when an acceleration of inflation was recorded for the developed capitalist countries as a whole) and in 1985. In this period the average rate of increase in the overall price level fell by 2.2 percentage points in Japan, 2.6 in the FRG, 6.2 in the United States, 6.5 in France, 11.8 in Italy, 13.8 in Great Britain and in the EC as a whole by 6.9 percentage points (1).

Many problems of the capitalist economy characteristic of the 1970's were connected with the high rate of inflation of this period. It is understandable that the slowing of the rate of inflation has not only attracted general attention in circles of Western economists but also served as the grounds for quite optimistic pronouncements concerning the best "functioning of prices" in the last decade. In most general form inflation represents a process of the depreciation of money affecting all forms of monetary income and capital. As such, it impedes the growth of capital constituting the main purpose of the functioning of the capitalist firm. It is not fortuitous that inflation is frequently seen as a phenomenon destroying the foundations of the capitalist system since it can convert the income of an owner of capital into a loss. For this reason an easing of inflation, increasing incentives to save and grant credit, has a salutary impact on the capitalist economy. On the other hand, although "a slowing of inflation does not make money but merely makes its

disappearance less rapid," it improves the position of consumers receiving fixed incomes inasmuch as there is a lowering of the velocity of the reduction in the quantity of use values which the fixed income permits them to acquire.

The slowing of the growth of prices has acquired in circles of Western economists the appellation "disinflation". This term is now used by economic observers and specialists of such organizations as the European Communities Commission, the Bank of International Settlements and the U.S. Federal Reserve system. With certain reservations, it is acceptable. It is necessary, however, to call attention to an appreciable shortcoming inherent in this concept. Its use could lead to the contrasting of inflation and "disinflation," to an interpretation of the latter only as a factor easing problems of the capitalist economy connected with the continuing depreciation of money and the growth of prices. In fact, however, its impact is considerably more complex.

Price dynamics reflect the spontaneous nature of inflation. They remain an uncontrollable process, despite the substantial role of the monopoly regulation of pricing and attempts at government regulation of the monetary sphere. This spontaneity predetermines the unevenness of the growth of prices in individual years and in respect of individual commodities and also the possibility of a change in the nature of inflation: a transition from an accelerating to a decelerating rate and vice versa. Such is the most general prerequisite of "disinflation".

Among the specific causes thereof at the start of the 1980's we may cite a whole number of factors which operated in the economy of the developed capitalist countries, including a certain acceleration of the rate of growth of labor productivity changing the dynamics of production costs; the severe 1980-1982 economic crisis; the restrictive monetary policy pursued by the governments of these countries. Foreign economic factors operated also: primarily the descending dynamics of world export prices and the increased exchange rate of the U.S. dollar. The role of individual factors and groups thereof (domestic economic and foreign economic) is highly different from country to country; however, in the majority of developed capitalist states the influence of domestic economic factors was decisive from the viewpoint of the formation of the "disinflationary" trend.

Granted all the specifics of a "disinflationary" situation, the capitalist economy in the first half of the 1980's continued to develop under the conditions of a further depreciation of money and a growth of prices. Recognition that even granted a declining rate of growth of prices inflation exerts a negative influence on the economy was at the basis of the statement of H. Fowler and H. Stein, cochairmen of the Committee for Combating Inflation, which was formed in 1980. "The slowing of inflation to 4 percent can in no respect be considered a victory" (2), it observed. The contradictory consequences of the process of the braking of inflation, which on the one hand means a slower depreciation of money and a deceleration of the growth of prices beneficial to the recipients of monetary income and the owners of monetary capital and, on the other, engenders difficulties for the holders of commodities, are noted by many businessmen and economic observers. "After we have been discussing for many years how important it is to lower inflation, are we prepared to reconcile ourselves to the unpleasant



consequences of disinflation?" (3)--such is a question which is put quite often. The main problems of a "disinflationary" situation which sets in following a period of accelerated inflation are connected with the break with the dynamics of all monetary indicators characteristic of this period (prices of raw material and finished products; wages, profit and other forms of monetary income; interest rates, the price of securities and such). The latter inevitably react to the change in the intensity of the depreciation of money, but owing to the particularities of contemporary inflation, insufficiently uniformly. Whence the instability of the correlations of different monetary indicators. Yet businessmen are oriented precisely toward these correlations when formulating decisions. Thus consideration not only of the dynamics of costs but also their correlation with the dynamics of the prices of the products being manufactured is important for determining the volume of production, all other things being equal. Not only nominal interest rates but also their correlation with the growth rate of the overall price level (real interest rates) (4)--an indicator determining the real cost of credit--are important for a decision on the granting or attraction of credit.

A slowing of the growth of prices demands the corresponding adaptation of production, marketing, investment and other policy. Difficulties of such adaptation exert an appreciable influence on economic development. The 20-year-plus period of an accelerated growth of prices had led to a certain stereotype of the behavior of the participants in the reproduction process having been formulated in the capitalist economy. According to American economists, "the nation has successfully learned to play inflation." The rules of the "game"--the competitive struggle of capitalist producers--are formulated in a period of accelerated inflation on the basis of a certain attitude toward ready cash and capital in monetary form: the monetary form of income and capital are less preferable than the commodity form, by virtue of the growing intensity of the depreciation of money. Businessmen's entire production and investment policy is based on the assumption of the continued growth of monetary values and the continued possibility of an increase in prices as the basic way of maintaining and increasing profitability.

The main components of entrepreneurial strategy under these conditions are a constant interest in real assets, specifically, in a number of instances, an expansion of capital investments in extractive industry conditioned by expectations of a further growth of prices of raw material and a hoarding of raw material, despite even the development and introduction of material- and energy-saving technology. In the financial sphere inflation portends for borrowers a lowering of the real debt burden, and for creditors, a depreciation of their capital and income, by virtue of which borrowers aspire to make the maximum use of credit resources, and creditors, to minimize losses, shortening the term for which a loan is granted, applying "floating" interest rates and so forth.

The high and accelerating growth rate of prices stimulated a transition to an entrepreneurial strategy which provided for the start of the present structural reorganization of the capitalist economy. The objective need therefor was dictated by the exhaustion of the resource-intensive version of the development of the productive forces and a considerable slowing of the growth of labor productivity. The material basis of the reorganization was the

new stage of the S&T revolution, the start of which pertains to the latter half of the 1970's. In the first years of the present decade the capitalist economy began to perceive the consequences of the break with the evolved structure. The economic strategy built on the premise of accelerated inflation had ceased to correspond to the conditions of the development of the productive forces. The slowing of the rate of growth of prices and other monetary values was for capitalist businessmen not only a signal testifying to a change in the state of the market but also the lever with which the market was prompting them to a change in economic strategy and transition to new rules of the "game" and different methods of competitive struggle.

These new rules presuppose primarily a change in attitude toward ready cash and commodities. There is increased interest in monetary forms of income and capital, which gives to the movement of resources a direction opposite to the previous one (the previous one was predominantly, as already observed, in the sphere of immediate consumption or in increasing real assets). Essential elements of entrepreneurial strategy are an abandonment of an increase in prices as a principal method of increasing the amount of profit, increased nonprice competition in its various forms, strict control over production costs, wages primarily, a reduction in which creates the prerequisites for a lowering of prices, and a reduction of raw material and finished product stocks to a minimum. There is increased urgency in a stabilization of companies' financial position and a reduction in the debt burden. Businessmen can no longer expect that rising prices will compensate for shortcomings in their production or financial decisions.

A most important result of a slowing of inflation for businessmen proves to be the dynamics of their income. According to calculations of OECD experts, among West European companies the ratio of entrepreneurial income to capital is currently below the level of the 1960's (5). Whereas in the 1970's the average rate of increase in the pretax profit of American companies constituted 11.9 percent (given a growth rate of producer prices of 8.5 percent), in the 1980's it declined to 4.4 (3.3 percent) (6).

Inasmuch as the start of the "disinflation" process coincided with a crisis situation in the economy of the developed capitalist countries the slowing of the growth of businessmen's income was frequently replaced by an absolute decline therein. In the United States, for example, a reduction in the amount of corporate profit was observed not only in the period of the 1980-1982 crisis but in 1985 also. Under these conditions enterprise profitability depended decisively on cost dynamics. The biggest difficulties of adaptation to "disinflation" were experienced by the sectors in which costs grew more rapidly or declined more slowly than the prices of commodities. A most important part in the establishment of the costs and prices correlation is played by such factors as an increase in labor productivity, which changes from sector to sector and producer to producer, and demand for the sectoral product. As the practice of the 1980's has shown, a slowing of the growth rate of prices is endured most painfully by the sectors which are distinguished either by a lesser increase in productivity preventing a reduction in production costs or less broad demand. These are the sectors of extractive industry, aluminum and copper production and steel industry. On the other hand, sectors in which an intensive growth of labor productivity based on S&T

progress is under way and the manufacture of the latest product types is increasing have shown their capacity for functioning efficiently under conditions of a slowing of the rate of growth of prices also. Thus the decline in the rate of inflation led to a considerable differentiation of the financial position of companies of different sectors, accelerated the process of their stratification and the erosion of the least competitive and thereby contributed to the structural reorganization of the economy of capitalist countries.

The sharp change in the intensity of inflation occurred against a background of the unevenness of the movement of all monetary indicators. This is revealed upon a comparison of the dynamics of prices of individual types of commodities or the dynamics of prices and nominal interest rates: whereas prices under the conditions of "disinflation" on average continued, nonetheless, to grow, nominal interest rates declined. Their maximum values in the developed capitalist countries pertained to 1980-1981, they have since then diminished continually. The trend toward a lowering of the nominal interest rate reflected the fall in the rate of depreciation of money. The unevenness of the dynamics of prices and nominal interest rates led to a growth of real interest rates, which was noted in the first half of the 1980's in all the leading capitalist powers. It is precisely the increase in real interest rates which explains a number of consequences of the "disinflation" process in the financial sphere, specifically the change in the direction of the flows of monetary resources (their turnabout in the direction of financial assets). The most diverse groups of the population of capitalist countries fell into a kind of "disinflation" trap, namely, into the trap of a slowing of the rate of growth of the value of real assets and the income they produce. Farmers found themselves in the most difficult position. Having purchased land at a time of high prices for farm products and having obtained big loans on the surety thereof under the conditions of high interest rates, many of them found themselves on the verge of bankruptcy at the start of the 1980's. On the one hand it was impossible to sell the land profitably owing to the fall in the attractiveness of investments in this form of real assets and the overabundance of supply connected therewith. On the other, the decline in the price of farm products made for a reduction in income and the impossibility of the repayment of credit and interest. In the estimation of American economists, almost 430,000 agricultural producers were seriously affected (7).

Owners of homes and other forms of real estate pertain similarly to the "casualties of disinflation" category. As a rule, they finance acquisition of the latter from resources obtained on mortgage. Under the conditions of the slowing of the rate of growth of prices, monetary income and the value of real estate homeowners find themselves unable to keep up the mortgage payments. In 1984 the number of instances in the United States of mortgage foreclosure, when the client loses the right to ownership of mortgaged real estate and also the part of the debt which has already been paid, amounted, according to American press reports, to the highest level since 1973.

A more general result of the increase in real interest rates in the course of "disinflation" was the increase in the actual burden of interest payments for all categories of borrowers. The position was intensified by the fact that in the period of accelerating inflation of the 1970's, when the rate of growth of



prices exceeded the nominal interest rate level, formed exceptionally auspicious conditions for the financing of entrepreneurial activity thanks to loan capital. The high rate of inflation ensured profit even given substantial interest rates. The situation changed sharply upon a slowing of inflation: the rate of growth of prices was below the level of nominal interest rates, despite a certain reduction in the latter. The increase in prices could no longer serve as an instrument ensuring the possibility of liquidating interest payments. The proportion of businessmen's income diverted into the payment of interest increased. Whereas in the mid-1960's net interest payments (interest paid minus the interest obtained on bank deposits) constituted from 5 to 15 percent of American pretax corporate profits, in 1981 this indicator rose to 45 percent.

In attempts to solve the debt problem borrowers not only turn to traditional methods but also find new ones. We may cite as an example of a traditional method the maneuvering of the debt structure, in the course of which interest payments or the repayment of the debt are effected thanks to resources attracted in respect of new credit of another type more favorable in the given specific situation. An example of innovations in the solution of corporations' financial problems may be considered the deal struck by one of the biggest American corporations, General Motors, which swapped its ordinary shares totaling \$140 million for its unpaid liabilities (8).

The deterioration in borrowers' financial position in the course of "disinflation" and the attendant increase in real interest rates not only creates difficulties for the functioning of the production sphere but is also inevitably reflected in the position of financial institutions, undermining their liquidity, and creates inauspicious conditions for the functioning of the banking system. While not directly dependent on price dynamics, banks encounter difficulties in connection with losses from writing off the debts of failed borrowers. This interrelationship may be illustrated particularly clearly in the example of the U.S. banking system, in which in 1984 some 800 banks were entered on the list of those "experiencing problems," and 70 went under (9). In the same year the net income of the 200 biggest American banks fell 2 percent, and an absolute reduction in profits was observed in 8 of the group of the 25 biggest (10). In addition to the banks financing industrial capitalists the agricultural banks found themselves in a very serious position. In the first half of the 1980's there was a catastrophic increase in the number of their "unreliable" clients since the fall in farmers' income and the value of land ownership had brought borrowers to the verge of bankruptcy. According to the estimates of American economists, in the next few years at least 1,000 agricultural banks could be in serious difficulty in the United States (11).

The particular vulnerability of the banking system of the developed capitalist countries, the journal BUSINESS WEEK believes, is connected with its role of intermediary between the monetary sphere and the production sphere. "The risk connected with the fact that loans will not be paid back lies with the banks and their shareholders by virtue of their role of intermediary between depositors and borrowers. This risk is particularly great under conditions of disinflation, and the banks are handling it badly" (12).



In this situation the danger arises of banks' transition to the financing only of businessmen who are not burdened with debt, which could have a negative effect on business activity. Thus "disinflation" is not a guarantee of the problem-free functioning of the banking sector and cannot be unequivocally interpreted in this context as a prerequisite of a rise in economic conditions.

The slowing of the rate of inflation also has a dissimilar impact on the position of the broad consumer masses. Western economists are inclined to exaggerate the positive significance of this impact, asserting that the consumers immediately and directly benefit from a slowing of the rate of inflation inasmuch as there is an increase in their purchasing power. However, it should be considered that, first, what occurs is merely a slower increase in prices and not a reduction in the cost of commodities (if we refer to the entire volume of consumer items and not individual commodities) and, second, payment for services accounts for a quite substantial proportion of consumer spending. Meanwhile in the first half of the 1980's the dynamics of prices (rates) of goods and services were far from identical. This was manifested particularly strikingly in the United States, where the prices of services increased noticeably more rapidly. This is partly explained by the absence in the majority of service sectors of import competition in the form in which it occurs on the commodity market. As a result the restraining influence of a slowing of inflation on the cost of living was less significant than its impact, for example, on the cost of investment projects. In 1985 as a whole consumers in Japan paid for goods and services 14 percent more than in 1980, in the FRG, 21 percent, the United States, 30, Great Britain, 41, France, 58, and in Italy, 90 percent more (13).

In evaluating the influence of "disinflation" on the position of the working class it is very important to correlate the dynamics of prices with the dynamics of wages. In the first half of the 1980's the dynamics of the nominal wage experienced the influence of such factors as the gravity of the 1980-1982 economic crisis, the low rate of growth of the economies of the majority of capitalist countries in the period of emergence from the crisis and the high level of unemployment. The latter in West European countries, and in Japan also, increased even under the conditions of economic upturn. Under the impact of these factors and under the conditions of a tightening of economic policy in respect of the working class the increase in the nominal wage slowed markedly. The decline in the intensity of inflation played its part in this deceleration also. The correlation of the dynamics of the overall level of prices and the nominal wage varies noticeably from country to country, but as a whole a slowing of the rate of growth of prices is not identical to an increase in real wages and real incomes.

In the first half of the 1980's the real wage in the majority of capitalist countries began to grow more slowly or, what is more, to decline. Thus in 1981-1982 a growth of the nominal wage slower than prices was observed in the FRG; in 1981 and 1983, in Belgium; and in 1981, 1984 and 1985, in Denmark and the Netherlands. Thus actual figures refute the proposition concerning an automatic improvement in the position of the working people as a consequence of the present changes in price dynamics. Under the pressure of facts a number of Western economists has been forced to acknowledge that a lower rate of

increase in wages may be considered a basic characteristic of a "disinflation" period. At the same time, however, as the development of events has shown, "disinflation" could, given certain conditions, be accompanied not only by an acceleration of the growth of real wages but also, what is more, by the replacement of the descending trend of their dynamics by a rising trend. For example, the average annual rate of growth of the hourly wage of industrial workers in the United States' manufacturing industry in the period 1977-1980 lagged by more than 1 percentage point behind the average annual growth rate of retail prices, but in the period 1981-1984 had overtaken them, although the pace of the increase in the wage rates themselves had fallen to the lowest level in the last decade.

The slowing of the rate of increase in real wages observed in the first half of the 1980's in the majority of capitalist countries, the increase in unemployment and also the reduction in government spending on social needs led to a sharp deceleration of the growth of the population's real income. On average for 10 EC members (excluding Spain and Portugal, which joined the Community in 1986) the growth rate of the population's real income (after taxes and social payments) declined from 2.3 percent in the period 1973-1981 to 0.6 percent in 1981 and 0.2 percent in 1982. A decline in the level of the population's real income of 0.4 percent was observed in the EC countries in 1983 (14). In the leading capitalist countries, with the exception of the United States, the expansion of domestic demand for consumer goods has not been--at least until recently--a serious factor of economic upturn. Thus the lowering of the rate of inflation has not alleviated the problem of output sales.

Besides the said consequences of "disinflation," we should also point to the fact that the slowing of the growth of prices has exerted a highly distinctive influence on the cyclical nature of the development of the capitalist economy. It not only has not contributed to smoothing it out but, on the contrary, has made emergence from the crisis state more difficult and impeded an upturn. In the 1970's, under the conditions of an accelerating rate of growth of prices, the capitalist economy overcame the cyclical crisis more rapidly. On the one hand the possibility of a rise in prices even under the conditions of the crisis reduction in production made it possible to counter the decline in the amount of profit, for the most efficient producers, at least. On the other, the restraining impact of accelerated inflation on the investment process weakened thanks to the expansion of the scale of use of loan capital for financing capital investments, which was stimulated by the low real interest rates (15).

The "disinflation" of the 1980's and the factors which brought it about (including the anti-inflation policy pursued at the end of the 1970's and in the 1980's in all developed capitalist countries) contributed to an exacerbation of the 1980-1982 crisis. The slowing of the rate of growth of prices and, in individual cases, a reduction in the latter made the financial position of industrial companies worse and sharply weakened incentives for the use of loan capital for financing the investment process. All this narrowed to a certain extent the possibilities of emergence from the crisis and reduced the intensity of the subsequent upturn. Thus a lowering of the intensity of inflation may not be unequivocally interpreted as a factor of the "recovery"

of the capitalist economy. What is more, it has exacerbated a whole number of its contradictions.

#### FOOTNOTES

1. Calculated from EUROPEAN ECONOMY, July 1986, p 149.
2. FINANCIAL TIMES, 15 February 1985.
3. U.S. NEWS AND WORLD REPORT, 14 June 1982, p 56.
4. In other words, these are nominal interest rates minus the rate of inflation.
5. See BUSINESS WEEK, 13 January 1986, p 30.
6. BUSINESS WEEK, 15 July 1985, p 62.
7. See U.S. NEWS AND WORLD REPORT, 18 March 1985, p 59.
8. U.S. NEWS AND WORLD REPORT, 14 June 1982, p 57.
9. See THE ECONOMIST, 24 November 1984, p 46.
10. See BUSINESS WEEK, 8 April 1985, p 73.
11. See U.S. NEWS AND WORLD REPORT, 18 March 1985, p 59.
12. BUSINESS WEEK, 29 October 1984, p 57.
13. See MAIN ECONOMIC INDICATORS, OECD, August 1986, p 23.
14. See EUROPEAN ECONOMY, November 1984, p 107.
15. "In the past decade companies have had to overcome two recessions, but they have been saved by double-digit inflation and the declining exchange rate of the dollar," is how Western economists evaluate the role of the high inflation rate of the 1970's with reference to the United States (BUSINESS WEEK, 29 October 1984, p 57).

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## CONFERENCE ADDRESSES PROBLEMS IN CEMA COOPERATION

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 139-141

[S. Kolchin report: "New Tasks of the CEMA Countries' Cooperation"]

[Text] The "New Tasks and Problems of Cooperation of the CEMA Countries in the Light of the Decisions of Congresses of the Fraternal Parties" International Scientific Conference was held in Moscow. The conference was organized by the USSR Academy of Sciences Economics of the World Socialist System Institute, the International Institute of Economic Problems of the World Socialist System and the "World Socialist System" multilateral cooperation problem-solving commission of the socialist countries' academies of sciences. Prominent scholars and specialists from the fraternal countries and representatives of research institutes, ministries, departments and other organizations of our country took part.

The conference was timed to coincide with the 25th anniversary of the USSR Academy of Sciences Economics of the World Socialist System Institute. For this reason its participants warmly congratulated the institute's workforce on the anniversary prior to the start of the discussion and noted the institute's contribution to national economic science and international cooperation and the elaboration of pertinent problems of the development of the socialist system. Brief greetings were delivered by CEMA Secretary V. Sychev, V. Loginov, deputy foreign minister of the USSR, Academician A. Anchishkin, Academician Ye. Primakov, director of the USSR Academy of Sciences World Economy and International Relations Institute, Yu. Shiryayev, director of the International Institute of Economic Problems of the World Socialist System and corresponding member of the USSR Academy of Sciences, I. Ivanov, deputy chairman of the USSR Council of Ministers State Foreign Economic Commission, G. Shakhnazarov, deputy head of a department of the CPSU Central Committee, foreign guests and leaders of related institutes from the CEMA countries.

The scientific discussion was opened by a paper from Academician O. Bogomolov, "The Socialist Countries at a Pivotal Stage of World Economic Development". The economy of the CEMA countries and the entire world economy as a whole are experiencing a period of profound change and transformations. Against the background of the large-scale tasks confronting the community both its



undoubted achievements (the preferential dynamics of economic growth compared with the capitalist countries, dependability and stability of economic development, the growth of the working people's well-being, the successes of socialist economic integration) and unsolved problems and difficulties can be seen. Among the latter are the lag behind the leading capitalist powers in terms of quality indicators of the use of the productive forces and an insufficient degree of involvement in the international division of labor.

A revision of a number of directions of economic policy was required of the CEMA countries for the surmounting of the negative features. The 27th CPSU Congress was of fundamental significance in the formulation of the new economic strategy. Dwelling on the urgent tasks of the retooling and structural reorganization of the economy as means of intensification of the national economy and an acceleration of S&T progress, Academician O. Bogomolov emphasized the decisive role of a refinement of the economic mechanism in the restructuring process.

The speaker went on to briefly analyze the main tasks of the economic development of the CEMA countries ensuing from their adopted national economic plans for 1986-1990. He observed that while planning a certain increase in the rate of economic growth the countries are emphasizing the balanced development of the economy and external relations and an improvement in its quality parameters. A high degree of interaction of the national economies has been achieved within the socialist integration framework. Important landmarks in this process were the decisions of the top-level economic conference (1984), the adoption of the Comprehensive Program of the CEMA Countries' S&T Progress up to the Year 2000 (1985) and the working meeting of leaders of the fraternal parties of the CEMA countries in Moscow (November 1986).

To stimulate integration cooperation it is essential to supplement the coordination of national economic plans at state level with the participation in the cooperation of the direct producers and developers of the new technology and the development of direct relations. Such relations, the speaker emphasized, are becoming an effective lever of the expansion of reciprocal trade. The great significance of the measures adopted in the USSR and other CEMA countries for a refinement of the mechanism of foreign economic activity was mentioned.

The speaker also dwelt on a description of world economic and political processes as external factors of the development of the socialist community countries. He distinguished among the disquieting symptoms the spinning of the flywheel of the arms race confiscating from world economic turnover, according to certain estimates, up to 6 percent of aggregate gross domestic product; and the changes in world financial relations, including the conversion of the United States into a debtor-country, connected with this.

The socialist countries advocate an improvement in the world economic and political situation primarily by way of a sharp reduction in military spending, struggle against negative trends of international economic development and the elimination of discriminatory restrictions and economic pressure and blackmail in relations between countries. Only thus is it

possible to achieve a fundamental change for the better and the release of the substantial resources necessary for the further development of industry, an equalization of development levels and struggle against starvation, poverty and unemployment.

The paper "The CEMA Countries' Economic Cooperation: Problems of Restructuring and Development" was delivered by Yu. Shiryayev, director of the International Institute of Economic Problems of the World Socialist System and corresponding member of the USSR Academy of Sciences. He observed that the socialist community states are confronted with tasks of an improvement in the activity of CEMA, transition to more intensive S&T and production cooperation, an enhancement of the role of direct relations between the immediate producers--enterprises, associations, organizations and research establishments of the fraternal countries--and the creation of international scientist and specialist outfits and joint enterprises.

Unlimited possibilities for an expansion of cooperation are contained in joint labor. The main direction of a refinement of foreign economic activity should be an increase in product competitiveness based on a strengthening of production potential. And this demands intensive science-production interaction based on direct relations.

The speaker termed a restructuring of the entire system of cooperation within the CEMA framework in the interests of promotion of the development and assimilation of the latest equipment and technology task No 1. The close correlation of the development of cooperation with the rate of S&T progress demands a more flexible, prompt response to ongoing changes, which is impeded by the inordinate centralization of the functions pertaining to decision-making in the foreign economic sphere.

The development of integration "deep" in the national economic complexes is giving rise to the need for the modification of the actual instruments of the economic mechanism. We cannot use the same forms and methods of planning at the time of realization of interstate agreements and for the development of direct relations between enterprises. At the same time it is essential to ensure the wholeness of the entire integration mechanism.

An increase in the initiative and responsibility of the basic economic component is not only of "external" significance. The question of competitiveness is ultimately connected with the national economic efficiency of production. But together with an improvement in national instruments of cooperation there is a range of tasks brought about by the need for a restructuring of the activity of CEMA in accordance with the demands of the current stage of integration interaction. They include an increase in the economic substantiation of plan coordination; the efficient use of commodity-money relations; the creation of special mechanisms, norms, data banks and such contributing to the development of direct relations and the organization of joint ventures; the creation of conditions conducive to the mutually profitable interstate cooperation of production and S&T activity, particularly in respect of the key problems of S&T progress.

The speaker dwelt on problems of relations between the socialist and capitalist economies from the viewpoint of the tasks of an acceleration of S&T progress; and on certain directions of the CEMA countries' export and import policy connected with ensuring the community's technological independence and an improvement in the exchange structure.

A number of speeches was then delivered at the conference devoted to the most urgent problems of the current stage of the development of the fraternal countries' cooperation. Prof W. Heinrichs, corresponding member of the GDR Academy of Sciences and director of the Central Institute of Economic Sciences, Prof W. Iskra, prorektor of the PZPR Academy of Social Sciences, and F. Valenta, corresponding member of the CSSR Academy of Sciences and director of the Economics Institute, touched on questions connected with the conditions of expanded reproduction in the CEMA countries and the intensification of the economy and integration cooperation.

The prospects for an improvement in the economic mechanism were discussed by Ye. Mateyev, member of the Bulgarian Academy of Sciences, who analyzed the progress, results and general problems of reforms in the sphere of the CEMA countries' planning and management.

The speech of V. Kves, corresponding member of the CSSR Academy of Sciences and deputy director of the Central National Economic Research Institute, was devoted to the creation of a new economic mechanism, he formulating the basic conditions providing for the successful accomplishment of this task: a combination of a strengthening of plan-conformity with the development of initiative and the further introduction of the principles of cost accounting.

The speech of Prof M. Ostrowski, director of the Polish Planning Commission National Economy Institute, examined the problem of an improvement in the economic mechanism mainly with reference to the sphere of the mutual cooperation of the CEMA countries in the context of the need for an acceleration of S&T progress and the shifting of the center of gravity in cooperation to the spheres of production and S&T studies.

Those who spoke on problems of an improvement in the economic mechanism emphasized particularly the importance of the accomplishment of such urgent tasks as a change in the forms and methods of plan coordination in the direction of a closer approach to the needs of the enterprises and organizations participating directly in the cooperation; the development of direct relations, including the elaboration of the necessary set of instruments for the given form of interaction; improvement of the currency-finance system of CEMA and pricing on the regional market.

Cooperation in specific fields poses similar problems also. A. Siposz, member of the Hungarian Academy of Sciences and director of the Economics Institute, studied them with reference to the agro-industrial complex, noting the extraordinary importance of the sector for the economy of the CEMA countries and the considerable potential for increased cooperation in such areas as the joint production of agricultural equipment and mineral fertilizer, production of high-grade feed, selection and such.

A number of speakers, particularly C. Murdjescu, corresponding member of the Romanian Academy of Sciences and director of the World Economics Institute, highlighted particularly the need for a stimulation of cooperation in the key areas of S&T progress. Prof M. Engert (GDR), director of the Institute of Economics and Policy of the Socialist Countries, devoted his speech to questions of the efficiency of the CEMA countries' S&T cooperation. The speeches of J.L. Rodriguez Garcia, deputy director of the Central World Economics Institute (Cuba), and Kh. Khusain (MPR) examined the CEMA countries' integration cooperation as a factor of a strengthening of the economy of the community's less developed countries. V. Budkin (Ukrainian SSR Academy of Sciences Institute of Social and Economic Problems of Foreign Countries) touched on problems connected with the territorial aspect of the development of integration relations, specifically in the western parts of the Soviet Union.

In conclusion of the conference V. Shastitko and K. Mikulskiy, deputy directors of the USSR Academy of Sciences Institute of Economics of the World Socialist System, and (Y. Valoukh) and Ch. Yordanov, deputy directors of the International Institute of Economic Problems of the World Socialist System, met with representatives of the mass media and answered the journalists' numerous questions concerning the results, problems and prospects of the development of the fraternal countries' cooperation.

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## ROLE OF TRADE UNION MOVEMENT IN CLASS STRUGGLE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 142-144

[Yu. Borko review: "Antagonism of the Classes and Socioeconomic Processes"]

[Excerpts] We have before us a book\* which, granted the value of the factual material contained therein and specificity of analysis, calls attention to itself primarily by its problem-solving nature and outlet to fundamental questions of Marxist theory of social development. It is impossible to exaggerate the theoretical significance of the subject of the investigation: it is a question of the very essence of a scientific understanding of history.

The theme of class struggle imbues all Marxist works which analyze processes occurring in capitalist society. Nonetheless, the author is right to note in the introduction that it is sometimes underestimated as an economic force and that there are as yet no summary studies revealing the mechanism of the impact of the antagonism of the classes on socioeconomic processes, its specific sources and directions and its singularities at different stages of the development of industrial capitalism (pp 6, 7). A. Veber's monograph is the first in our literature in which this problem is examined in all its main aspects, in both the theoretical and specific-historical planes.

The complexity of this task is obvious. It is determined on the one hand by chronological boundaries encompassing almost two centuries, on the other, by the interdisciplinary nature of the study and the need for the combination in one person of an economist, historian and political scientist. Whence the certain sketchiness and summary nature of the exposition and the insufficient study of individual questions, about which the author himself writes in the preface. However, these shortcomings are, we believe, more than compensated by the scientific merits of the book.

A. Veber consistently analyzes the main areas of the impact of the class struggle--on the evolution of the value and price of manpower and the productive forces and production relations, on the distribution of national income and the development of capitalism as a whole and the maturation of the prerequisites for its replacement by the socialist organization of society. I would like to focus attention here on the theoretical content of the monograph and a number of ideas and conclusions formulated by the author, which may be

seen as creative development of the methodology of the study of capitalism. Some of them would seem uncontestable, others require considerable clarification or are debatable.

In his description of the impact of the workers movement on the development of the productive forces and production relations, the reproduction process and accumulation and distribution (chapters 3-6) A. Veber proceeds from the fact that the "workers movement and its social gains serve as a factor modifying the effect of the economic laws of capitalism" (p 124). This proposition has figured repeatedly in Soviet literature. While agreeing with it in essence we nonetheless deem it necessary to object to the way in which it is formulated here. The point being that the struggle between labor and capital is not something external in relation to economic laws. On the contrary, it is a normality influencing the dynamics of distribution and capitalist accumulation. For this reason it is more correct to say that the workers movement and the social gains of the working people modify the interaction of the economic laws of capitalism and increase the relative strength of some at the expense of others.

The section devoted to the role of the class struggle in the development of the working class itself as a productive force would appear theoretically important. Criticizing the bourgeois economists who regard the struggle of the working class as an impediment to technical progress, the author shows convincingly that, on the contrary, a rise in the technical level of production gives rise to a need in labor for higher quality, and the realization of this requirement is impossible without class struggle leading to a growth of the material living standard and the spiritual development of the workers. With the passage of time, he concludes, social gains have increasingly been "a factor of the growth of social labor productivity in the long term" (p 137).

Describing the impact of the class struggle on technical progress, the scholar proceeds from the existence of a stable interconnection between the growth of the socio-historical component of the value of the working class entailing an increase in the cost thereof and a reorientation of capital from labor-intensive to labor-saving production. He observes here that at the early stages of the development of capitalism this impact was manifested rather as a direct stimulus to inventions, and later, mainly "as a factor influencing the rate and scale of the spread of technical innovations" (p 144).

As far as the impact of the class struggle on the process of capitalist reproduction as a whole is concerned, it, A. Veber believes, is of a contradictory nature, with which we have to agree. Truly, on the one hand the social gains of the working people extend to some extent or other the boundaries of economic growth, which was acknowledged by bourgeois political economy in the shape of Keynesianism, which incorporated in the priority goals of the state's economic policy the stimulation of domestic consumer demand. On the other, these very gains, particularly in the sphere of wages, could bring about retaliatory reactions on the part of the employers in the form of a reduction in investments, the export of capital and so forth. In other words, "the impact of the workers movement on capitalist reproduction ultimately has

its limits in capital itself, its nature and its orientation toward profit" (p 166).

Upon evaluating the influence of the workers movement on capitalist production relations the book distinguishes two aspects--evolution of the forms of ownership and changes in the field of production management. As far as the first is concerned, it is studied too sparsely here, perhaps. The author confines himself to the advancement of the general proposition that "the socioeconomic and political gains of the workers movement have indirectly prompted the formation of more mature forms of capital" (p 173). The main attention, however, is paid to the impact of the workers movement on production management and the struggle for democratic control over the economy of capitalist states.

I would like primarily to express agreement with A. Veber's approach to this subject, that is, with the analysis of different forms of the influence of the workers movement on the management of capitalist enterprises and the economic and social policy of the state as forms of impact on production relations. Examining the collective bargaining system, the formation of bodies of worker representation at enterprises, the occupation of plants by strikers and the organization of production by the working people themselves and the parliamentary and government activity of workers parties, he observes that a common feature of the different forms of the participation of the masses in production management is their duality. In other words, they may be used both by labor and by capital, particularly if such participation is based on the principles of social reformism. This applies primarily to the government activity of the social democrats, which has amounted to an adjustment of the development of the capitalist system and has not affected its foundations. Nonetheless, the author believes, despite their contradictoriness, the forms of impact on the management of the capitalist economy employed by the workers movement reflect "the objective process of the growth of elements of directly social relations" (p 210). The fundamental distinction between the Marxist and social reformist interpretations of the question at issue, the monograph emphasizes, is that Marxists reject the concept of the "peaceful growth of capitalism into socialism" (p 214).

Speaking of the impact of the class struggle on distribution and capitalist accumulation, A. Veber anticipates the specific study with a theoretical analysis of the power factor in relations between labor and capital. He concludes that "the economic power of the monopolies grew absolutely and relatively in the first half of the 20th century, but in the period since WWII their capacity for influencing the correlation of prices and proportional wages has been less than at the end of the last century and less than in the period 1929-1948" (p 242). In other words, since WWII the economic power of the working class in the developed capitalist countries has increased. This is also corroborated by the analysis contained in the book of the lengthy (since the 1870's) trends in the distribution of national income and movement of the profit norm (pp 244-258). In the scholar's opinion, the relative stability of the correlation of wages and profit in the period from the 1950's through the 1970's "may evidently be regarded as testimony to a certain balance of forces" (p 243). It is observed here that "Marxism does not in principle deny the

possibility of the emergence of such situations in antagonistic formations" (ibid).

If I am not mistaken, such a conclusion is drawn in Soviet literature for the first time, and it can be assumed that not everyone will agree with it. In our view, it is perfectly justified. Besides the arguments and data by which it is underpinned in the work, we would adduce in support thereof one further argument of a general nature pertaining, true, merely to the West European countries. A comparative balance of the forces of labor and capital was reflected at the political level in the form of a strategy of social compromise implemented as of the end of the 1940's on the basis of an alliance of bourgeois-liberal and social democratic reformism. The disintegration of this alliance and the offensive of neoconservatism at the end of the 1970's and in the first half of the 1980's are evidence that monopoly capital and the political parties expressing its interests are endeavoring to break up this balance to their advantage with regard for the new conditions of the capitalist countries' economic and sociopolitical development. In the work the neoconservative school is evaluated precisely from this viewpoint, although this subject is not analyzed in detail.

It is impossible, naturally, within the framework of a review to highlight all the facets of the interesting study. We would emphasize what is most important: the reader has acquired a book of a high theoretical and creative standard.

#### FOOTNOTE

- A.B. Veber, "Klassovaya borba i kapitalizm. Rabocheye i profsoyuznoye dvizheniye kak faktor sotsialno-ekonomicheskogo razvitiya XIX-XX vv. [The Class Struggle and Capitalism. The Worker and Trade Union Movement as a Factor of Socioeconomic Development of the 19th-20th Centuries]. Exec. ed. A.S. Chernyayev. Moscow, "Nauka", 1986, pp 304.

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## REVIEW OF POLISH BOOK ON EAST-WEST INVESTMENTS

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 147-149

[V. Karavayev, Ya. Rekhtar review: "Promising Form of International Cooperation"]

[Text] The socialist community countries are pursuing a consistent policy of an expansion of mutually profitable economic cooperation with all states, regardless of their sociopolitical system. They regard economic relations with the developed capitalist countries as the material basis of peaceful coexistence and an important means of achieving peaceable goals. Whence their invariable aspiration to an expansion of the range of forms of economic interaction, among which a prominent place is occupied by large-scale investment projects.

The monograph in question of the Polish scholar J. Woroniecki, "Large-Scale East-West Investment Measures,"\* studies this important form in the historical, theoretical and practical aspects and also from the viewpoint of the prospects of further development. It is defined as "the cooperation of two or more foreign partners incurring economic costs with a long repayment term for the creation, augmentation or modernization of fixed capital" (pp 10-11). The distinction of such interaction from industrial joint labor and the invalidity of its examination merely as a form of the latter are rightly emphasized. It is the coparticipation of the partners in expenditure connected with the reproduction of fixed capital which is put forward as the distinguishing characteristic. Of course, joint outlays on the realization of large-scale investment projects is an inalienable feature thereof, nonetheless, I would think that the financial and not the reproduction approach should serve as the first principle of the distinction of this form of international economic interaction as an independent form.

The introductory section of the work examines accumulated experience and also the political, financial-economic and institutional prerequisites of the development of East-West investment cooperation. The first such experience the author considers the concessions granted Western capital by Soviet Russia in the 1920's in accordance with the decision of the 10th Russian Communist Party (Bolshevik) Congress adopted at the initiative of V.I. Lenin.

In our time key significance for an expansion of investment interaction between the socialist and capitalist countries has been attached to the fundamental provisions of the Helsinki Final Act. This most important document described large-scale investment measures as an independent and promising form of economic cooperation, which lent impetus to and created the framework for its further development.

As the book notes repeatedly, inasmuch as it is a question of the interaction of states of opposite social systems, the role of the political factor is extraordinarily great here, which has been manifested particularly graphically in the 1980's. "The economic fruit of an improvement in the political climate take a long time to ripen," the scholar reflects, "but, on the other hand, the results of a deterioration in this climate make themselves felt immediately" (p 35). The financial-economic and institutional conditions of East-West investment cooperation have also proven inauspicious in recent years. But the author looks to the future entirely realistically. The experience which has been accumulated in this sphere, he believes, "makes it possible to express guarded optimism in connection with the prospects of large-scale investment projects. Economic interest should outweigh and overcome numerous difficulties, given respect for sovereignty and the prevention of strategic dependence" (p 152). The idea of the mutual profitability of such cooperation and its correspondence to the partners' interests permeates the monograph.

Certain grounds for optimism are afforded by the persistent efforts of the socialist community countries pertaining to an improvement of the national economic mechanisms in a direction contributing to the broadest international interaction, investment included (p 47).

The next two sections of the work examine specific spheres and subjects of cooperation. The greatest possibilities for its expansion exist, from the Polish specialist's viewpoint, in the transport infrastructure, the recovery and processing of raw material, power engineering and technological R&D. In particular, there is support for the idea of the creation of a joint all-European gas pipeline system. The recovery and transportation of energy resources are definitely given priority, and the present conditions in this sphere, furthermore, are seen as a temporary phenomenon (p 74). As J. Woroniecki has accurately observed, large-scale projects "are capable of compensating--by way of distribution of the investment load between the partners--for the unevenness of the location of energy sources in Europe," which is particularly valuable in such capital-intensive sectors as power engineering and the infrastructure.

The expediency of the unification of the power systems of East and West Europe is shown convincingly: currently the exchange of electric power between them does not exceed 0.1 percent of its total generation in the countries of the Old World. At the same time, however, realization of such a project would make it possible to save 10-15 percent thanks to removal of the uneven load on the power systems, reduce reserve capacity amounting to 1-3.5 percent of maximum load and so forth (p 81).

The monograph pays much attention to the forms and mechanism of interaction. Specifically, three organizational forms thereof are distinguished:

international coordination of investment activity, international management of joint construction and the creation of an international investor-enterprise. As far as financing is concerned, J. Woroniecki subscribes to the opinion according to which the most suitable form of the extension of credit for large-scale projects is special (project) credit (p 97).

The concluding section of the monograph is devoted to the problem of Poland's participation in large-scale East-West investment measures. This was dealt with earlier also, primarily where the project of the north-south trans-European expressway being built across its territory is described. Incidentally, the timeframe for the recoupment of expenditure on the installation of the Polish section of the highway is put at 6 years, and a conclusion concerning the efficiency of participation in the long-term undertaking is drawn.

Evaluating the country's present economic situation, the author observes: "The key problem of the 1980's is the lack of investment capital--both domestic and foreign" (p 154). In his opinion, association with large-scale East-West investment projects could make good the latter to a certain extent. At the same time, however, the need for lessons to be learned from the negative experience of the preceding decade, when an undue enthusiasm for Western credit pushed the Polish economy into a crisis, is emphasized. The scholar sees as the "antidote" a refinement of the economic mechanism on the paths of economic reform and a transition from budget "free" financing to self-financing, whereby "the main source of capital would be bank credit paid off by resources from the enterprise development fund" (p 156). "Poland's financial (investment) readiness to participate in large-scale investment projects in the 1980's is negligible," he believes, "in view of the tremendous requirements and few possibilities of capital spending in connection with the need to pay off debts and also participation in the concerted investments of the CEMA countries" (p 166). We have to object here. It is not legitimate, in our view, equating two problems of entirely different planes: Poland's participation in investment programs within the CEMA framework are not comparable in scale and, even less, in consequences with its indebtedness to the West. The undoubted profitability of such participation is confirmed by the interest therein expressed by the Polish side. The assertion that "the realities of the crisis are not only forcing the country into a reorientation toward a bloc division of labor within the CEMA framework, which is leading to reduced participation in a broader division of labor... but also to reduced participation in the international division of labor as a whole" (p 158), is puzzling in this connection. It is not a counterpoise of different schools of international economic cooperation but their rational development and harmonious combination which have always been and remain characteristic features of the foreign economic policy of the socialist community countries.

There are other contradictions in the book and contentious propositions also. An inalienable feature of large-scale East-West investment projects is their multilateral nature. Thus J. Woroniecki rightly observes that "given the investment cooperation of individual socialist countries (particularly the USSR) with the West, other countries may be included with their investments and construction services, benefiting from the transit," and so forth (p 55). At the same time, however, on page 43 he is quite sharply opposed to the

participation in this process of integration associations, which "would complicate matters". Yet the biggest international investment projects in Europe were realized precisely on an integration basis with the enlistment of partners from different social systems. This solution corresponds to the very logic of this form of interaction.

It is not clear what gave the author grounds for saying that the USSR "reluctantly permits" the cooperation of capitalist investments, "despite the great interest in the West's participation in the development of Siberia" (p 148). It is well known that it was the Soviet Union which initiated the compensation form of investment cooperation with bourgeois states representing nothing other than the cooperation of capital investments.

However, it is not individual contentious opinions and inaccuracies which determine the significance of J. Woroniecki's monograph. We undoubtedly have here a major, interesting study specially devoted to a little-studied and highly promising field of East-West economic relations.

#### FOOTNOTE

- \* Jan Woroniecki, "Wielkie inwestycje Wschod-Zachod," Warsaw, Panstwowe wydawnictwo naukowe, 1985, pp 192.

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## REVIEW OF BOOK ON MILITARY TECHNOLOGY, STRATEGY, ARMS RACE

Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 4, Apr 87 (signed to press 16 Mar 87) pp 155-156

[A. Kireyev review: "Technology of Nuclear Insanity"]

[Text] The evolution of military-political doctrines traditionally depends on the level of development of military technology and the economy which has been reached. The politics of the "cold war" would have had no material basis had not the United States possessed nuclear weapons. For this reason the problem raised in the book of a leading associate of the Oslo Peace Research Institute, Marek Thee, "Military Technology, Military Strategy and the Arms Race,"\* would seem pertinent and urgent.

The author sees as his goal analyzing the influence of the progress of military technology on military strategy and their cumulative impact on the arms race. Raising this problem in the political, economic and general philosophical sense, he immediately defines the main practical task of the study: finding a way of bringing military R&D under political and social control, which is today, he believes, a key point in the efforts being made with respect to arms control and disarmament (p 4).

Military technology develops unevenly, frequently spasmodically. The transition from conventional to nuclear weapons was accomplished under the influence of the S&T revolution. American imperialism, nurtured by illusions of the achievement of military superiority, is straining for near-Earth space, endeavoring to impart to the arms race a new, space, dimension. The "Strategic Defense Initiative" did not emerge as a political doctrine in a void: work had been under way for many years in the United States on the creation of various ABM systems, antisatellite weapons, combat lasers and so forth.

The book outlines an approximate timeframe of the preparatory "technology" period. The "development--technology--creation of prototype--repeat testing and refinement--start of production" cycle usually takes 10-15 years (p 16). This timeframe may change depending on the degree of complexity of the arms systems being created and the method of obtaining the source technology. There are several such: the development of fundamentally new technology based on fundamental theoretical research; a new technical effect as a result of the

combination of a number of techniques known earlier or their use for other purposes; a radical modernization and sophistication of known technologies.

The "strategic defense initiative" (SDI) put forward by R. Reagan is geared by way of a combination of all these methods to a sharp leap forward in eight fields of technology, each of which "is the equivalent of or superior to the Manhattan Project (the creation of the atomic bomb)" (p 85). The scale of the SDI exceeds all postwar research programs of the creation of nuclear arms and their delivery systems together.

A "technology lobby," which has become an avowed defender of the plans for the militarization of space, has gradually crystallized out in the course of the domestic political struggle in the United States. It consists, as M. Thee observes, primarily of employees of military research labs, for whom the development of new types of weapons is an official duty. It also incorporates scientists not formally connected with military business, but involved in strategic problems within the framework of a variety of independent research organizations of the Rand Corporation type. And, finally, experts of the Defense Department and government organizations specializing in an assessment of the degree of feasibility and usefulness of the creation of new weapons systems and with an impressive say at the time decisions are made concerning the purchase thereof may be attributed to it. The SDI "technology lobby" has also incorporated certain important scientists like, for example, E. Teller, "father" of the hydrogen bomb, who had at least four confidential meetings with R. Reagan on the eve of his "star wars" speech.

An independent commission led by J. Fletcher, present director of NASA, was formed to substantiate the S&T possibilities and strategic necessity of the development of space-based arms systems. The report which it prepared, which has never been published in full, drew the conclusion based on an analysis of the development of military equipment and technology as to the readiness of American science and industry to begin the development of space-based ABM systems.

According to estimates, as of the end of the 1950's the United States has already spent more than \$50 billion on military-space projects. Various departments have already spent approximately \$2 billion on the creation of combat lasers alone (p 85). Currently military research is swallowing up approximately one-third of the resources allocated in the United States by private companies and the government for R&D. The proportion of expenditure on military developments in the federal budget is even higher--60 percent. The proportion of the major states in aggregate world spending under this head is of the order of 90 percent; one-fourth of all scientists and engineers are working on war (pp 105, 107).

The great dimensions of military R&D and its growing influence on the formation of political and military doctrines compel the author to pose the question: what place does militarized science occupy in the system of the military-industrial complex? In the scholar's opinion, two new structural components are now revealing themselves clearly in the composition of the military-industrial complex: a government political bureaucracy with a vital interest in the use of weapons as an instrument of policy and diplomacy and a

"scientific-technical community" engaged in military R&D. For this reason the book proposes a broader interpretation of the military-industrial complex as a "military--industrial--bureaucratic-technological complex" (p 116).

There is no doubt that under the conditions of the acceleration of S&T progress in all spheres of the economy such an expanded understanding of the military-industrial complex has a right to existence. Moreover, we believe, M. Thee has lost sight of a very important component of the military-industrial complex--the militarized propaganda machinery. The reasons for the growing impact of the military-industrial complex on all aspects of the political and economic life of capitalist society cannot precisely be determined without considering this structural component and without investigating the forms of ideological cover of the activity of the latter.

At the same time economic science should hardly endeavor when analyzing the military-industrial complex to simply articulate all its new structural components, of which there could be a great multitude. Its task, I believe, is primarily to reveal the most important cause and effect relationships between those of them which determine to the greatest extent the functioning of the military-industrial complex as a system.

The work in question contains interesting propositions in this connection. The author believes that the military-industrial complex, which is increasingly becoming a "self-developing," "self-stimulating," "self-reproducing" system, is "an alliance of rivals" in which individual elements fight for resources, influence and a strengthening of positions (p 124). In his opinion, the formation of military-industrial complexes in major countries is connected with the accelerated development of industry, the revolution in science and technology, the concentration of economic and political power, the increased exploitation of natural resources, the growing control of the state over its citizens and the growth of organized violence in domestic and international affairs (p 117).

Unfortunately, the scholar underestimates the first cause of the appearance of military-industrial complexes--the merger of the power of the monopolies and the power of the state and the formation of state-monopoly capitalism. He sees as a method of limiting the arms race a tightening of social control of military R&D and a reduction in the rate of development (p 128). The fact of the acceleration of work in the United States on the "star wars" program, which is being advertised in the West as a purely "research" program, affords grounds for such a conclusion to a certain extent.

Indeed, Washington's abandonment of realization of the SDI would not only reduce the rate of growth of military R&D as a whole but would be an important step along the path of an easing of international tension. However, general prospects of a limitation of the arms race cannot be connected only with reduction in military R&D. The creation of the all-embracing system of international security proposed by the 27th CPSU Congress could be a radical method of the achievement of progress here.

American imperialism's policy of an outlet into space with the latest weapons within the "strategic defense initiative" framework runs counter to the hopes

and cherished aspirations of the majority of people in the world, who are increasingly emphatically opposed to the plans for the development of new, more sophisticated types of technology of nuclear insanity.

FOOTNOTE

\* London & Sydney, Croom Helm, 1986, pp 139.

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